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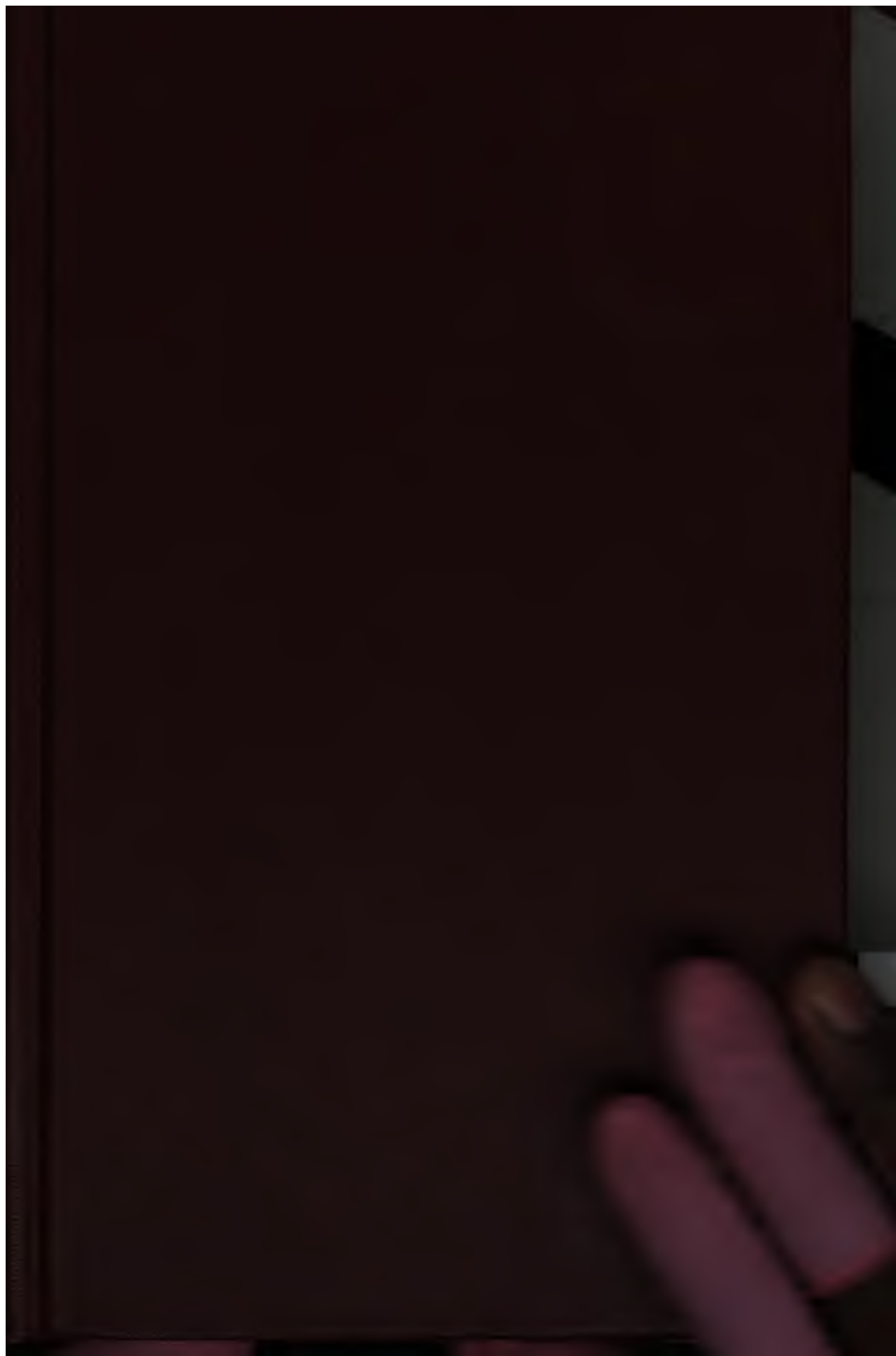
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THE
CURRENCY QUESTION.

SOME STRICTURES

ON

THE PAMPHLET OF JAMES GALLATIN, ESQ.:

A SERIES OF ARTICLES

ORIGINALLY PUBLISHED IN THE

Evening Post and Journal of Commerce,

BY

GEO. B. BUTLER, ESQ.

NEW YORK:

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1864.

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THE CURRENCY QUESTION.

To the Editor of the Evening Post :

THE management of the finances of a nation in war has always been the most perplexing question which statesmen have had to solve. The difficulties of the subject arise from the prejudices of nations towards each other ; an unwillingness to make loans to belligerents ; the disturbance to domestic production which war occasions ; the uncertainty attending its duration, and the tendency of capital to seek those countries which continue their peaceful pursuits. There were other difficulties which peculiarly affected the United States. The opulent powers of the world, instead of standing aloof from the rebellion, had exhibited strong sympathies with the cotton-producing South, whose loan, founded on the pledge of cotton, was taken by moneyed men in England and on the Continent, with the avowed purpose of dividing a country whose growth and future power were regarded with anxiety. The prejudice which dictated this policy was influential to discredit the financial power of the United States, so that the necessity of relying wholly on our own unaided resources was early foreseen. In deciding on the course to adopt, there was still another embarrassment peculiar to our situation. From the very origin of the government there had been opposing systems in operation. The duty which the Constitution enjoined upon Congress to provide for coining money and regulating

its value, had been performed partially by establishing mints in many proper places; but for much of the period of our national existence, a Bank of the United States was in operation, and for the whole period there were numerous State banks—which institutions had been in the constant habit of issuing paper as money, the extensive circulation of which produced the expulsion of gold and silver from the United States nearly as fast as it was coined. The Sub-Treasury, adopted in 1837, corrected to some extent this great error; but the practice of all the separate States in treating bank bills as money so counteracted the beneficial effects of the Sub-Treasury, as to prevent the accumulation in our country of a sufficient amount of gold and silver for all financial purposes. The United States, however, possessed some advantages in favor of an independent system of finance in war, not common to other nations. The States of Europe, in comparison with our country, are small in extent, and their industry and productions are less varied. A people who do not produce all the material relied upon for the equipment and support of armies, must purchase more or less extensively from neighboring States, and in the regulation of its finances must conform, with more or less of servility, to the financial arrangements of those which supply the means of conducting war. It is our fortunate condition to be much more independent in this respect than any other people on the globe of equal power, the result of our diversified climate, rich lands, extensive coal fields, mines of every necessary metal, unparalleled means of inter-communication, and the extent of our industry, which embraces all the material of war, and is sufficient to supply all the wants of man.

The disadvantage, however, resulting from the long-continued expulsion of the precious metals from the United States, due of late chiefly to those State banks which the writer of the pamphlet represents, was one of the controlling facts which the financial officer of the government had to take into view in considering how the necessary means should be raised. Indeed, the want of the precious metals here in sufficient abundance, and the jealous feeling of other powers, left him no

alternative but to devise a financial system of our own, and independently in part of the precious metals, keeping constantly in view the truth that any system of finance was wholly inferior in importance to the great object of our national preservation.

The writer in question informs us that the Secretary of the Treasury borrowed from the banks one hundred and seventy millions of coin, and on the assumption that this gross sum was at one time in the coffers of the Treasury, treats it as being an adequate reserve for issues of paper payable on demand in gold and silver, which system he presents as the true one. That sum was the aggregate of the various sums borrowed from time to time, and paid out as convenient by the banks, and again by the Treasury, to be returned to the banks; but to call it one sum of one hundred and seventy millions would be like counting and adding the links of an endless chain on every new revolution of the wheel. I well recollect when publishing some articles in favor of the policy of making the Treasury notes lawful money, in January, 1862, that there was then not enough gold and silver in our banks to furnish the government with over a half a month's supply for its whole expenditure in that time. Assuming that there was not enough gold and silver for the purpose of conducting a great war, it follows, as a consequence, that the policy resorted to was the true one. It is a fundamental principle, that they who receive protection from government owe that high allegiance which compels them to serve in armies in its struggles for national life, and consequently to perform the inferior duty of providing the government with whatever other means are required, on such equitable apportionment, as to deprive the scheme of particular hardship. A draft in the one case, and general taxation in the other, without favoritism, constitute such reasonable apportionment in lieu of impressment and particular confiscations, both of which latter are arbitrary and despotic. This right in the government to compel service and fairly adjusted contributions in war lies at the foundation of government power and credit, enabling it to maintain a paper

system, for the redemption of which the whole property of individual citizens is liable. It pained many, doubtless, to find notice in the pamphlet referred to, an attempt to influence the Supreme Court of the United States to reverse the loyal and not less legal decision made by the Court of Appeals of this State, sustaining the financial policy of the government in making its issues a legal tender for debts. The effect of such a reversal, made in the midst of war, would be disastrous in the extreme. No greater service to the Confederate State could be rendered or sought by the Confederate government. The policy of making those issues a legal tender is an essential part of the foundation of our system of finance, and to take this away would bring down the whole structure of government credit, and expose the country to difficulties never surpassed in the history of any people engaged in war. The writer in question, affecting to present a perfect scheme of national finance, conducts us through many pages of irrelevant truths (which do but little more than overturn his boasted State bank paper system) to the precipice of the government issues thus discredited and destroyed by a decision of the Supreme Court. Here his wisdom terminates. What shall be substituted is not mentioned, but there can be no scheme in his mind in that dilemma except the collection of all debts after that period in gold and silver. He could not have bestowed any reflection on the difficulties and hardships that would then arise. Most of the current debts of the great trading interest of the Union have been incurred with direct reference to the legal-tender clause. Their obligation, however, is to pay in lawful money, which, if the decision he invokes were rendered, would mean gold and silver, and not the "lawful money" mentioned in the act of Congress of 1862. The process of collecting debts not voluntarily paid is one of force. Behind the sheriff or marshal ever stands the public power to enable those officers to execute the decrees of tribunals. We have been accustomed, such has been the steady and mild action of these executive officers, to look upon them as parts merely of the most quiet machinery; but if debts

were now to be collected in gold and silver, the army required to support these functionaries of the law would need to be quite as efficient as the forces engaged with the rebellion. An army paid in that case with what? Does the writer of the pamphlet suppose that in the scramble for gold and silver that would arise between the debtor class for gold to pay their debts, and the government for its then manifold uses, the latter could obtain a sufficient sum to pay this double army in the precious metals? Certainly not. The army which is expected to support the sheriffs and marshals in bringing unexampled ruin to millions, would be paid in paper, not a tender, and such as could not be used to supply the families of soldiers nor pay their individual debts. What a reliance for such collections! What a reliance for putting down the rebellion! The paper currency would become exactly that of the Confederate States, requiring a year's pay to purchase the smallest article of clothing.

Such is the dilemma to which a financier conducts himself, who from the stand-point of supporting the State bank paper system attacks a system free from its grave difficulties. The course of those banks, in continuation of the expansion commenced by Mr. Biddle in 1833-4, gave to the crisis of 1836-7 that extreme malignancy which overwhelmed such vast numbers in that unparalleled storm. The miseries of that time are scarcely now felt, for most of the unfortunate actors of that day were either buried in the bankrupt act, or now repose in their silent graves. But their miseries were due wholly to the vicious system of issuing paper which answered no other purpose than to involve thousands in debt. The legal tender notes of the government, if they induce speculations, which they unfortunately do from the quantity issued (an unavoidable evil), furnish with certainty the means also to pay debts, which the State bank currency never did and never can. The clause that no State shall make anything but gold and silver a tender for debts, prevents the States, in their separate capacity, from imparting to the issues of banks what is the chief function of money, that of being used compulsorily for this purpose. This

objection to bank issues applies with nearly equal force to those of the national banks, but it is not taken in the pamphlet, for the obvious reason that it could be turned conclusively upon its author. All the learning which industry could collect to show the necessity of adhering closely to gold and silver—recognised as being the true policy of nations in a time of peace by every writer who understands the subject—is aimed solely at the government, and not at all against those State institutions, which, more than all other causes combined, have in our day demonstrated the danger of a paper system.

The highest pecuniary interest of those who are engaged in any industry in the United States, is now, and must continue to be, bound up with the national system, and they must stand together, or fall together in one common ruin. An adverse decision by the Supreme Court on the question of legal tender is not to be thought of as desirable or even possible; and more particularly not so far as concerns contracts made since the passage of the act of Congress declaring the issues of the government to be lawful money.

That act of Congress has the warrant of the Constitution. The right to exercise this power is supported by the practice of the most opulent nations of the world in their great conflicts. The act of the British Parliament in 1797, making the bills of the Bank of England in effect a tender for debts, was passed from the direst necessity, and within seven years after the promulgation by Burke of that greatest of his works, his condemnation of the French Revolution, and the policy the French pursued of issuing what he said they would be, and what the assignats turned out to be, vast quantities of irredeemable paper. The criticism of that great writer, which had the effect to unite the then important powers of Europe against the French, had scarcely become widely known before his own government was compelled, from motives of self-preservation, and against the most powerful promptings of pride, to follow partially in the steps which France had taken. That memorable act of Parliament remained in force till about 1822, somewhat modified. The question presented to the minds of

her statesmen was one of submission to this necessity, or of overthrow by the forces which the French revolution had called into existence. If this most opulent nation of the world was compelled to resort to the system of suspending the collection of debts in gold and silver for over twenty years, and until after the termination of the great conflict with Napoleon, it must be conceded that a nation like ours, young, new, and debauched in every stage of its existence by a paper system (under which the precious metals had been constantly expelled), had equally no choice but to submit to a like policy, or to submit to the dismemberment which was sought by the Confederate States, and aided by the combined sympathies of most leading powers. If such was the necessity, such is also the law of the case. Although the Parliament of England is often referred to as being omnipotent, in contradistinction from our national government, which is one of granted and defined powers, yet the power to declare and conduct war, and to pass all laws which shall be "necessary and proper" for the purpose, is as unfettered and as ample in our constitution as in any constitution or government whatever. The power is granted without limitation, and what matters it that the government is limited in other respects, if unlimited in this respect? If this power were not equal to all the necessities of war, and particularly if it did not embrace control over that which has ever been looked upon as one of the chief "sinews of war," our country would ever be at the mercy of foreign governments, who could establish systems of finance such as would enable them to conduct war with vigor, whilst we, on the contrary, were compelled to adhere to a straight-laced, inadequate financial system. The framers of the constitution, in imparting the war power, justly determined to make it ample for every emergency, and hence bestowed it without limitation, and justified us in looking to the examples of wise nations in determining what is "necessary and proper." The question of fact having been decided by Congress, that a resort to paper money, and to make it a tender, was necessary and proper as a means of conducting

war, the only question left for the decision of the Supreme Court is the sole one, whether or not it is a reasonable means to the end. Does any one doubt that the credit of the treasury notes has been advanced by making them lawful money? Could soldiers be kept in the army if their pay were in bills not a tender, such as could be refused by the Roosevelts at home, who claim their debts in gold and silver? Could the debtor class (estimated to consist of seven or eight-tenths of our population) be kept quiet and in support of the war if gold and silver could be demanded of them at such a time of necessary disturbance to all financial affairs? The answers to these questions explain why the legal tender policy was deemed necessary in England, in France, in Austria and other foreign countries, during war; and more emphatically why it was necessary and proper here, after a long-continued expulsion of the precious metals—the effect, I repeat, of a false and pernicious system pursued by the State banks. But if there were not conclusive reasons for sustaining the decision of the Court of Appeals, and the question were one of doubt (which it is not), would not the doubt be decided in favor of the government by a court which is an essential part of it, and which would decide itself, and also the government, out of existence as the effect of an adverse decision?

The question how the State banks—whose course in loans to the government deserves all praise—shall be authorized to avail themselves of the national banking act, is of the utmost importance, not only because it is wise to conciliate powerful interests that may become adverse, but because the future of the country must be intimately interwoven with the new system. It is my opinion that an enabling act by Congress will answer the purpose. The difficulties in the way of obtaining one from the State during Governor Seymour's term, are well known. All the recent acts of Congress, in relation to the currency, proceed on the ground of a complete mastery of the subject on the part of the national authority, and if this view is correct, which I think it is, then the work of resuming its power, commenced in recent measures, may be completed by passing such an enabling act.

G. B. B.

No. 2.

THE CURRENCY QUESTION.

To the Editor of the Evening Post :

Mr. Gallatin, in assailing the legal-tender act, starts with the proposition which he distinguishes with italics, that Congress has "*no authority to make anything whatever a tender in payment of private debts.*"* It will be seen that this applies as well to gold and silver as to paper, and that it amounts to a complete denial of any power over the subject on the part of Congress. This extraordinary proposition is not supported by either argument or authority, nor is it contended that the States alone possess this power, but this is doubtless his opinion. Against this mere assumption allow me to refer to the uniform practice of the government from its very inception. The act of Congress of February 9, 1793, provides that Spanish milled dollars of a certain weight "shall pass current as money within the United States, and be *a legal tender* for the payment of *all* debts and demands." The act of June 25th, 1834, provides that certain other foreign coins therein enumerated shall pass current as money within the United States, by tale, "for the payment of all debts and demands." The acts of June 28th, 1834, and of March 3d, 1843, applicable to other coins, use precisely the same language. There are other acts of like tenor, but these sufficiently show a conceded power over the subject of legal tender with respect to all debts, commencing with the administration of Washington and continuing through that of all his successors in office; which acts remained in full and unquestioned force and effect down to the act of 1862, which declared that the paper issued by the United States should after that period be deemed lawful money. Until these several acts, commencing in 1793 and terminating in 1843, shall be assailed by something in the na-

* This quotation is from an article of Mr. Gallatin, in reply to No. 1.

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THE
CURRENCY QUESTION.

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THE CURRENCY QUESTION.

To the Editor of the Evening Post :

THE management of the finances of a nation in war has always been the most perplexing question which statesmen have had to solve. The difficulties of the subject arise from the prejudices of nations towards each other ; an unwillingness to make loans to belligerents ; the disturbance to domestic production which war occasions ; the uncertainty attending its duration, and the tendency of capital to seek those countries which continue their peaceful pursuits. There were other difficulties which peculiarly affected the United States. The opulent powers of the world, instead of standing aloof from the rebellion, had exhibited strong sympathies with the cotton-producing South, whose loan, founded on the pledge of cotton, was taken by moneyed men in England and on the Continent, with the avowed purpose of dividing a country whose growth and future power were regarded with anxiety. The prejudice which dictated this policy was influential to discredit the financial power of the United States, so that the necessity of relying wholly on our own unaided resources was early foreseen. In deciding on the course to adopt, there was still another embarrassment peculiar to our situation. From the very origin of the government there had been opposing systems in operation. The duty which the Constitution enjoined upon Congress to provide for coining money and regulating

with a decent regard to the circumstances of the country and to the difficulties of the administration. A few quotations from the pamphlet will show whether or not this has been sufficiently considered. I beg leave to select a few passages, and to mark them with italics:

"In his revenue system he" (Mr. Chase meaning) "*has failed as disastrously* as he has in his currency theories." * * "That ridiculous and absurd 'job' of engraving revenue stamps of the various sums for each and every kind of document at a heavy expense to the country, prohibiting the use of any but the stamp designated for the document upon which it was to be applied, is a fair illustration of that *shameful ignorance governing our national affairs* at the outset of our troubles." * * "*Shameful incompetency, with all the self-conceit of ignorance*, distinguished the early efforts of many of the officers of the government immediately upon the accession of the Administration in 1861." * * "It is not possible for one member of the Cabinet" (alluding to Mr. Chase) "to *escape* the responsibility belonging to an administration of which he continues a member. If affairs go wrong, *he should resign*, if he desires to escape censure for the mismanagement of his colleagues." * * "The ideal term used by Mr. Chase, *intrinsic worth*, as distinguished from *real* (money) value, *has haunted the brains of all speculators* from the time of Law downwards." * * "The department *had not sufficient skill in finance* to organize the Sub-Treasury to meet the crisis." Revulsion is freely prophesied throughout the pamphlet, the author of which makes a direct application to the government of the United States of a variety of quotations charging all manner of frauds and vices upon a paper system—a system, I repeat, that was forced upon the government for the purposes of the war by the long continued expulsion of the precious metals, effected mainly by the paper issues of State banks, persisted in against the policy of the Sub-Treasury. That a change of administration as well as of policy is the object of the pamphlet is very evident. The writer declares that to "*economize our treasure by the election to office of honest, intelligent and patriotic states-*

men is our duty at all times, but in a time like the present becomes of paramount importance, and it cannot be too often impressed upon the minds of the people," &c.

The policy of legal-tender issues adopted by the government is now in full and successful operation, and to change both it and the administration in the midst of war would do more to aid the rebellion than can be effected by the whole power of the Confederate States. Mr. Gallatin no doubt desires to put down the rebellion, but his means would give it immunity, and they cannot be adopted. If the government shall continue to pursue a vigorous system of taxation, and to receive only gold for its customs, its financial policy will be maintained in defiance of all opposition. It has been compelled to seize the reins, to act upon its own intrinsic power, to assume the mastery in finance; and a national system of currency, tending ultimately to displace all local currencies, will be one of the grand effects of the struggle. Well-meant, calm and intelligent effort to aid in perfecting the national plan will be beneficial; but an attempt to overthrow the system and the administration can produce only confusion and disaster. G. B. B.

No. 3.

THE CURRENCY QUESTION.

To the Editors of the Journal of Commerce :

The controlling question whether or not there was in 1861 a sufficient quantity of gold and silver within the command of the General Government to enable it to pay the expenses incident to a war of extraordinary magnitude, is not discussed in the pamphlet of Mr. Gallatin, or in his subsequent articles, although his work is ushered forth under the ambitious title, "The National Debt, Taxation, Currency and Banking System of the United States," and contains over sixty pages of printed matter. This title gave promise that no point necessary to the elucidation of the subject of finance would be left unexplored. That, indeed,

“Nothing but the round
Large clasp of Nature such a flight can bound.”

But its pages are examined in vain for this important discussion relative to coin.* He touches upon everything else; tells about Cæsar's interested attentions to Virgil and Horace; of those of the Secretary of the Treasury, in imitation of Cæsar, to the “*gamins* and good fellows of literature,” the reporters of the press; gives us quaint quotations relating to the alchemists, and furnishes a delightful story of Lord Quincampoix; but in all the variety of his beautiful figures, none are to be found touching the quantity of coin. He certainly must have been aware that the validity of the action of the government depended in great part, if not wholly, on the very question which he omits; for if there was such manifest insufficiency of coin, then, according to well settled principles of constitutional law, other means might be resorted to, such as were usual with modern nations, and were “necessary and proper” for the purpose.

This is not only the well established rule of law, but it must be plain to the common sense of every man, not led astray by metaphysical abstractions about the measure of value. The omission, therefore, of this controlling point is to be explained only on the hypothesis that he could not proceed a single step in the discussion without showing, beyond all question, that the quantity of coin was wholly inadequate to the purpose. To state the reasons for this inadequacy will not be out of place. The chief motive for obtaining the precious metals from the earth is to supply the *ordinary* wants of man, and not those *unusual* and *extraordinary* wants of States which result from vast expenditures in war. The latter, therefore, are not provided for. He informs us, however, that our expenditure surpasses in magnitude “the financial transactions of any nation for the same period in modern times;” that

* Mr. Gallatin, in reply, refers to pp. 39, 40 and 50, for what, he says, is a discussion of the question. On referring to the pamphlet, it will be seen that this is a mistake on his part.

“only in the traditions of the anti-historic era do we find a parallel to the stupendous volume of national expenditure now witnessed at Washington.” I might, with entire safety, leave the question here, whether or not *extraordinary* means were required to meet this unsurpassed volume of expenditure; but the policy of the government, in this regard, having been pertinaciously assailed, it may not be out of place, at the risk of being tedious to those familiar with the subject, to present some additional reflections. For the ordinary wants of commerce, the quantity of coin required is inconsiderable. The *annual* crop and the *annual* operations of trade and exchange bear but a small proportion to the whole amount of property, but it is for the uses of the *former* only that money is required. Nor is it necessary that the amount of coin in circulation should equal in value the value of the annual production; on the contrary, “no writer of repute,” (I quote from the valuable work of Mr. Say), “has ventured to estimate the requisite circulating specie of any nation higher than 1-5 of the annual national product; some, indeed, have reckoned it as low as 1-30.” Adam Smith concurs very nearly in this view, and so did Mr. Calhoun, whose intimate knowledge of all questions of finance was unsurpassed. That so little is required, is due, in great part, to the velocity of its circulation, which a state of peace greatly promotes. When that velocity of circulation becomes disturbed from any cause, a greater quantity of the precious metals is required to facilitate exchanges of products, and it is, therefore, evident that in a state of war, from the invariable practice of hoarding, and the general insecurity of transportation that ensues, all the gold and silver in circulation are required for the ordinary business of the community. Indeed, great financial distress, reaching often to panics, attends, for these reasons, the first movements in war. If the government at such a time becomes a competitor with the rest of the community to obtain the coin in circulation, it must be but a question of time when both shall stop payment. The certainty of this result is, doubtless, one of the reasons for the invariable practice resorted to by all modern nations, of depend-

ing in war on their own issues of paper. I have attempted to show in previous articles, that the government of the United States was more impelled to this course from the extraordinary embarrassment of a long continued expulsion of the precious metals—the effect of the issues of State Banks—which metals (required and consequently existing only in small proportion to the annual products) had been supplanted by small notes, which notes were in extensive circulation over the whole country. If the money in circulation had been wholly in coin, even then it would not have answered both the purposes of commerce and the new and manifold purposes of a great war. With how much stronger reason may this inadequacy of coin for the purposes of the war be affirmed, in view of the fact that our currency was represented by an inverted pyramid—below, a small quantity of coin; above, a vast superstructure of credit, consisting of bank bills, checks, notes, &c., &c. It requires some patience to discuss this question of the sufficiency or insufficiency of coin with fullness. How can any man in his senses suppose that such an expenditure as that of which we are now the witnesses—unparalleled in the history of mankind—could be met by the ordinary currency?

In determining the financial policy of the government, there were various circumstances to be taken into view besides the important one that the currency was mixed up of coin and paper. The prices of commodities, and of property, and the wages of labor, had been adjusted on that mixed basis, the maintenance of which prices had become a matter of controlling consequence. The extensive relations between the debtor class, who constitute, and perhaps ever will, seven or eight tenths of our population, and their creditors, had been formed during the prevalence of that mixed currency, and the interest of the majority had to be considered. An extract from Prof. Bowen's work on political economy in this connection may not be out of place. It relates to the effect of the authorized suspension of specie payments by the Bank of England from 1797 to 1819, due to the war with France:

“It was the depreciation of the currency which carried

England triumphantly through the war—which enhanced rents and profits, gave unprecedented activity to manufactures and commerce, and made people bear with ease and cheerfulness an amount of taxation which they can now hardly contemplate without shuddering. * * * It is not going too far to say, *that without the high prices of those years* Wellington could not have *driven the French out of Spain, or triumphed at Waterloo.*”

Opinion, we are told, is power, and it is beyond all question true that war on an extensive scale, cannot be carried on for a period of years, if ruin in financial matters is brought home to a large majority of the people. Such a state of things would affect the interests of all producers, of all who have commodities to sell, especially of all debtors, and ultimately the tone of the press, and induce a change of administration at the first opportunity. The debtor class unfortunately constitute a large majority, and have the means under our government to assert their power. This is ever to be considered. The measure adopted by Congress was not that of Mr. Chase. It has the stamp of legislation upon it. It came from the majesty of the people. I am not pleading as one of the debtor class. I do not belong to it, and was, up to the period of the rebellion, a bullionist, opposed to those, among them Mr. Gallatin, whose hurtful vocation it has ever been to sign and circulate their small notes to the exclusion of the money of the United States, a policy which made our trade revolve in that established cycle which Mr. Lloyd so accurately describes: “First we find it in a state of quiescence—next improvement—growing confidence—prosperity—excitement—over-trading—convulsion—pressure—stagnation—distress—ending again in quiescence.”

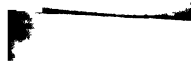
On this statement of the situation of the country, I hold, without the fear of contradiction, and without the necessity of resorting to figures, that there was a manifest insufficiency of coin within the command of the government for the purposes of its vast expenditure in war, and I now call Mr. Gallatin as a witness to the truth of the proposition. In December, 1861, he made a speech at a meeting of bank officers, which is reported in the Bankers' Magazine, for February, 1862, in which he said:

“We” (the banks) “are now loaded down with government securities which we cannot sell. Banks, as I have already stated, can act only as agents in great national loans. When our capitals are absorbed, *as they now are*, we can no longer aid the government. The government *must suspend specie payments or we must*, and it is only a question of a few more days’ time as to who suspends first, and who shall hold the specie in our vaults. If we hold it, the people and the government will be alike benefited. If the government takes it, the whole will be expended and *hoarded by a few people*.”

I make no remarks upon the coolness of the proposition, that this specie, which belonged of right to the holders of that *convertible currency* which Mr. Gallatin applauds, it was deemed expedient to keep in the banks; the question being whether the facts do not show that there was not enough coin for the purposes of the war, as to which, these admissions are quite satisfactory. The fact being established that the quantity of coin was insufficient for the purposes of the war, the question arises what policy should have been pursued by the government. The question whether or not the one hundred and seventy millions of coin, stated by Mr. Gallatin to have been in the hands of the Treasury, could have been used as a reserve for issues by the government of convertible notes, has already been disposed of. There was no such quantity. Indeed the quantity did not exceed one-fourth of the amount named, which amount named, constituted, Mr. Gallatin informs us, “a reserve equaling that of the greatest banking institution of the world.” The ability to augment the quantity of coin, so as to reach a given amount, results, in the management of ordinary State banks, from a happy facility of disposition quite common among their managers, who will not be surprised at Mr. Gallatin’s misconception. To suppose that he understood the amount in the hands or power of the government to be one hundred and seventy millions at any one time, would be to suppose that he was wholly ignorant of transactions of great moment in which he was an important actor; but I acquit him of everything, except extraordinary carelessness in the statement. When arraigning the Secretary of the

Treasury for want of skill in establishing a convertible currency on the basis of "a vast reserve," he must be sure that such a reserve existed. There having been no such reserve, the whole system, constructed on that basis, must fall to the ground. But if there had been such reserve, power had not been granted to the department to make the use of it, which Mr. Gallatin suggests. There was no possibility of taking this course in the absence of authority for the purpose from Congress, and it is equally certain that such authority could not have been obtained. With what justice, then, is Mr. Chase arraigned for "not having sufficient skill to organize a banking system on a reserve so vast," when neither the reserve existed, nor was there authority for thus using it. If the Secretary of the Treasury had been empowered to issue and redeem notes founded on the largest amount of coin at any one time in his possession, the scheme would have ended in the disastrous failure either of the banks—which had already based their issues in part on the same reserve—or of the government, if not both. It is difficult to state objections when no plan has been presented by which this particular scheme may be worked. But it is easy to see that the paper issues must necessarily bear some reasonable proportion to the amount of coin, and that on a *small* instead of a "vast reserve," fatal embarrassment would follow. The credit of the government would also stand or fall by the success of the system, offering to those interested persons among us whose sympathies are strongly with the rebellion—among whom are foreign merchants and brokers, degenerate Northerners and resident emissaries of the rebels—a temptation not to be resisted to break down the credit of the government. But it would be a waste of time to proceed further with this subject, in view of the fact that the "vast reserve" exists only in Mr. Gallatin's imagination, who would not seriously press the point he makes, if he were to reduce his figures to the quantity of specie actually under the command of the government. I therefore dismiss the subject, which must be a painful one to a financier who values his reputation for accuracy. The dis-

closures made in the speech of December, 1861, already referred to, make it unnecessary to say much against the scheme, which has some supporters, that the State banks ought to have been made the sole agents of the government throughout the crisis, or at least that the money they issued should have been, even after their suspension, received for loans. It is enough to say of such a scheme that those banks are not united in any respect, that generally they are rival institutions, that they are wholly private organizations, organized for private objects and interests, and if left to act voluntarily, the scheme would have had the features and the imbecility of the old Articles of Confederation, under which Congress called for quotas of money, and called in vain. What the banks of New York, Philadelphia and Boston did, was greatly to their honor; but we have seen, from the admissions of Mr. Gallatin, what were its effects. There is another objection to the scheme which is fundamental. The currency of State banks has been issued in disregard of the constitution, which declares that no State shall issue bills of credit; and although the State banks have been pronounced constitutional, yet it is the bounden duty of the government of the United States, to impart no strength to institutions which, by exercising the franchise of issuing money, impair the powers and defeat one of the main objects of a national government, that of securing uniformity and stability in whatever circulates as the money of commerce. The Bank of England, relied on by Mr. Pitt, was, as he himself declared, "a great engine of State," submissive to the will and as strongly united with the power of England as is any branch of the public machinery. There is no analogy between that institution and the banks of the several States, which act upon a policy wholly at variance with that of the United States. For years, their officers were the firm opponents of the Sub-Treasury, and of its main object, which was to keep within our own limits a sufficient amount of coin to enable us to provide for important emergencies. They suspended the prosperity of the country "upon the wings of paper money," and now, when a great emergency has arisen



—the greatest known to history—complain of the policy on the part of the government, which their issues of paper obviously compelled. The State banks of the South were the nests of secession. If the people of the Southern States had abstained from creating them, that powerful hold on the minds and interests of men derived from reliance on a national currency—no other existing—would have created an habitual and cordial reliance on the national government. But they had only a remote connection with the government, having usurped the important franchise of supplying the circulating medium, and they had been taught to regard the United States—thus estranged—as known only by its oppressions. The arrogance, proceeding from agents of these institutions, which attempts to dictate, in haughty terms, what shall be the financial policy of the government, is due in great part to the error of policy allowed to prevail in every State, which committed to State banks the great power they have exercised over the currency, and consequently over the deepest interests of the people.

It must now be apparent that the general government could not, without a manifest departure from true policy, give to the State Banks the additional control, immunity and consequence, that would result from sole reliance on them, and a consequent abandonment by the United States of one of the chief functions devolved upon it by the constitution. To have accepted loans in the paper of those banks after their failure would have built up a State paper system of the worst character.

Mr. Gallatin, in his last article, in which I recognize a decided improvement in some of its arguments, attempts to limit the power of the government over what shall constitute the currency of war, to the single clause authorizing Congress to coin money and regulate its value. He entirely loses sight of powers which bear upon the subject with controlling force; but in advance of presenting them I have no hesitation to admit that the powers not granted, having been reserved to the States respectively, or to the people, it must be shown affirmatively that the authority which Congress has exercised is con-

ferred in the express grants. I, however, deny that the restriction on the States against *their* issuing bills of credit, or making anything but gold and silver coin a tender for debts, applies in any manner to the general government, for the plain reason that the framers of the constitution might have included the general government in the restriction if they had thought proper to do so, but did not, an omission of such consequence as to justify the presumption, that it was supposed that emergencies might arise which would make the exercise of such powers necessary to the safety of the national government. This mere rubbish having been brushed out of the way, allow me to present those other powers on which the authority in question hinges.

3. "To regulate commerce with foreign nations and among the several States." (It has been held that this includes all the instruments of commerce, of which money is one.)

11. "To declare war," &c.

12. "To raise and *support* armies," &c.

13. "To provide and *maintain* a navy."

18. "To make *all* laws which shall be *necessary and proper* for carrying into execution the foregoing powers," &c.

These powers are as unlimited, full and complete with respect to war, and commerce to be regulated on a war basis, as are those exercised by any nation. They were intended to provide for the fullest efficiency in conducting war, both as respects money and men. Whatever means in the long experience of nations becomes necessary and proper for the purpose, are as necessary and proper for us as for them. In war, the life of the nation, the liberties of the citizen and the right of property being all at stake, the powers for their preservation must be commensurate with the object. There being no limitation on the powers of those who attack us in war, there can be none, in the nature of things, on the means we may employ for defence. Foreign nations (without exceptions of importance) have been compelled, from the necessary disorders to finance produced by the convulsions of war, to issue paper and force it into circulation by means of tender acts, and if we cannot raise and support armies and a navy except by the same

means, we must either adopt those means or abandon war. Mr. Bowen, in the work already mentioned, referring to the practice of nations of this character, particularly of England, says:

“The distinguishing characteristics of such money are, that it is inconvertible, and its circulation is compulsory. Thus, to *take the common form of this currency*, which is issued by the authority of the State when the government has no longer the means of meeting its pecuniary engagements, it begins to make purchases and pay its debts by issuing, not coin, nor bills immediately convertible into coin, but its own promises to pay at some future time. These promises to pay are made *legal tender*—that is, creditors are compelled to receive them in satisfaction of their demands. Their circulation is *compulsory* then, but the very fact that they are receivable in payment of debts gives them a conventional value.”

That this is the currency of all severe wars, was demonstrated by the action of England, France and other nations. I have already shown that it was an impossibility for the United States to rely on gold and silver, from the long continued expulsion of those metals by the State banks, and that if a resort to paper was necessary by such an opulent nation as England—she made it in effect a tender from 1797 to 1819—this experience settles the question of fact, that it was “necessary and proper” for us, who have no large accumulations of capital. Such question of fact was also settled by the Congress of the United States in 1862, which is wholly conclusive of the subject, leaving to courts merely to determine whether or not the means adopted are usual and proper in war. The remarkable unanimity of the courts of the Union in sustaining the action of the government, leaves no doubt of its ultimate maintenance by the court of final resort.

What, then, was left for the government but the measure that was pursued, of issuing its own paper and requiring its citizens to respect and receive it in all their transactions. It diffuses the expenditure for the war over the whole country in proportion to the means of each citizen. It is in the nature of an indirect tax. The money has the stamp of the highest sov-

ereignty upon it. It is issued in accordance with the expressed public will of the whole nation, declared in a time of emergency and danger, an authority to which every good citizen should bow with the submissive spirit recommended, when, knowing whose image and superscription the coin bore, it was said, "render unto Cæsar the things that are Cæsar's." This obligation is the more imperative now in war, when it is the duty of every man to bear his full share of its burdens. The war is not one of conquest, but purely of self-defence; for if the Confederate States were safely established, then would commence the addition of other States to theirs, to be completed by our dismemberment and ultimate ruin, unless prevented by a successful war. In advance of such a conflict—inevitable to the view of those who investigate with accurate foresight—we are fighting in self-defence of all that is dear to us, and I hold it to be unquestionable that he who attempts to bring discredit on our financial system, if not blind to the true interests of the country, is at heart its enemy.

The great difficulty in the way of Mr. Gallatin is simply this, that doctrines with regard to a stable and solid currency, suitable to a condition of peace, (constantly violated, however, by State banks), are applied to a condition of war, as if it were then the sole duty of a country to maintain a particular standard of value, instead of protecting our lives, properties and liberties. In a state of quiet and peace, the writ of habeas corpus cannot be suspended, nor an individual seized and held without due process of law; both are done in war. In peace, the residence of a citizen cannot be entered by the military without compensation in advance, in order to convert its grounds, constituting an eminence, into a fort. This has been done frequently during the war. In peace, the locomotive engines of a manufacturer, made to order for a railway company, cannot be touched by the government; in war, they are seized and used without ceremony. In peace, the house of a loyal citizen cannot be razed to the ground; in war, if it stand in the way of our guns, it may be summarily demolished. In a time of ordinary peace, it would be a stretch of power to make

the currency, now being issued, a legal tender for private debts ; in war, it is more necessary than the apparent arbitrary destruction of one's " castle," the violent seizure of his person, the summary turning of his elegant grounds into a fortification, and the seizure of locomotives necessary for the traffic and transportation of some railroad. Without intending to defend these acts of military power, I will say, however, that instead of the old apothegm, " in war the laws are silent," it would be better to say that the laws applicable to a state of war supplant those of peace.

The difference is clearly recognized in the Constitution itself, Sub. 2 of § 9 of Art. 1 provides that " The privilege of the writ of *habeas corpus* shall not be suspended *unless in cases of rebellion or invasion the public safety requires it.*" The 2d Art. of the amendments provides that " no soldier shall in a time of peace be quartered in any house without the consent of the owner, *nor in time of war* but in a manner to be prescribed by law." Art. 5th provides that " no person shall be held to answer for a capital or otherwise infamous crime, unless on a presentment or indictment of a grand jury, except in cases arising in the land and naval forces, or in the militia, when in actual service, *in time of war or public danger.*"

The significance of these restrictive clauses results from the fact that no *express* power is granted to Congress to do either of the things thus implied as resulting from the Constitution during war, except it be conferred under the clauses authorizing Congress to declare and provide the means for conducting war. The Constitution thus recognizes that the war power becomes expanded by war, to the extent " necessary and proper " for meeting the exigencies of the condition.

Mr. Gallatin, in presenting objections to the Continental money of the Revolution, omits an important part of its history essential to a clear understanding of the difference between it and the money now issued by the United States. The Congress which, in June and July, 1775, first authorized the issue of Continental money, was a revolutionary Congress not acting under any constitution of government, nor by virtue

of any well defined powers. The validity of its acts with respect to those bills of credit was questioned in all quarters, and it was not until the adoption of the Articles of Confederation, which contained a clause assuming their payment, that their legality was made certain. But the Articles of Confederation were not signed by some of its members until 1779, and on the part of Maryland not until 1781, when the Continental money had become nearly if not wholly defunct. The burden of redeeming the first issue of \$3,000,000 was distributed, by the Congress in 1775, among the thirteen colonies in proportion to their population. The annual instalments for redeeming the second \$3,000,000, issued in November, 1775, were to begin in eight years, but no time was fixed for the redemption of subsequent issues. Their depreciation was produced by several causes :

First. The want of authority originally to issue them so as to bind the United States, and the absence of adequate taxation and revenues.

Second. They were not a legal tender, and could be refused by any citizen, except for payments by the government.

Third. The several colonies made large issues, which, being a tender, were consequently preferred.

Fourth. The total of all these issues was wholly disproportioned to the property of the country.

And yet, notwithstanding these inherent and fatal defects, the Continental money largely aided in effecting the Revolution. Now, I ask what fairness is there in comparing bills of credit of this description with those of the United States, which proceed from a stable and powerful government, which are fundable in stocks, the interest of which is payable and paid in gold—secured by a pledge of the large revenues from duties, which are also payable in gold. There is no single feature of identity between the two systems. The elder Gallatin, who fought in the army of the Revolution, would have disdained by such suppressions to make it necessary for some other to defend the credit of the country.

The attempt to impress upon the financial policy of the

United States the features and the disgrace of Law's scheme is scarcely less commendable. The scheme of Law is wholly distorted for this purpose. Mr. Gallatin says of it: "This paper was made a legal tender to the total exclusion of the precious metals." In the midst of the alarm which came from the breaking down of Law's stupendous system, when its bank notes were generally refused in all transactions of business, an *arret* was issued by the government forbidding any person to refuse the bills under penalty of double their nominal value; but the scheme had already exploded, and the new order only added to the general confusion. This is all that there was of legal tender. Law's bank was projected with the view of paying off the public debt of France, which amounted to 1,500 millions of livres—over 300 millions of dollars. All public creditors were authorized to subscribe for the stock of the bank at par. To induce subscriptions, a patent granted to Crozat, for the Mississippi Country, then known as Louisiana, was purchased; and the Mississippi Company was formed with a capital of 100 million livres and allied to the bank. The Mississippi Company then obtained, for a period of years, the farming or monopoly of tobacco. The French East India Company and the Senegal Company were then added, with the benefit of the monopoly of trade from the Cape of Good Hope eastward to all parts of Africa; to Persia, India, China, Japan and various isles; to the Straits of Magellan and Le Maire. The bank next obtained "the farm of all the public revenues," and subsequently the exclusive privilege of coining. The Company advanced to the government a sufficient amount of *livres* to pay off the public debt; issued paper money to the extent of over four hundred millions of dollars—much of it in the purchase of the magnificent bubble, and the bubble soon exploded. Now, if these features of Law's schemes had been presented by Mr. Gallatin, it would have been readily seen that there was no just ground for comparing it—marked as it is with wild and reckless extravagance—with a policy pursued by our government from the direst necessity, maintained with firm taxation, and made necessary, I repeat,

partly because the State banks refused to adopt the policy of the Sub-Treasury and discountenanced Mr. Buchanan's recommendation for lopping off all small bills. If Mr. Gallatin has any more instances of this character to present, with frightful images of

“Gorgons, hydras and chimeras dire,”

—their distorted shapes produced in his fancy, as he dwells on the government system of finance—it is to be hoped, for his own safety in the midst of such ideal creations, that he will at least be sure that his new matter has something to do with the subject under discussion.

No objection can be made to efforts fairly intended to prevent excess in the issues of the government. I am of the opinion that it is the policy of the Secretary now, to obtain and hold a large amount of his legal-tender issues, and that such also is the policy of prudent banks; but this matter will be presented in another shape.

If the war shall have no other effect, it will at least so restore harmony and uniformity, that a government whose judicial decisions are supreme; whose mail system is co-extensive with the Union, and exclusive; whose regulations of commerce are general and paramount; whose bankrupt laws, when passed, are exclusive; whose securities cannot be affected by State taxation; and whose power over the forces raised in States, and over those of the Union, are conceded and ample—shall resume, and hereafter exercise without question, what is equally important to nationality—complete control over the regulation of money, to the exclusion of any authority over the subject in any State. There will then be an additional motive to those already pressing upon us, for securing “one connected country for one united people.”

G. B. B.

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THE TRUE
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THE
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AND THE COMMON SENSE WAY OF
Doing Justice to the Soldiers and their Families.
NO BANKS:
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By A. CAMPBELL.

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THE TRUE AMERICAN SYSTEM OF FINANCE.

The design of the Fathers of the Republic was to establish a government that would give to each citizen the highest political and religious freedom, and at the same time to secure to each the fruits of his own labor or talents.

It cannot be denied that labor is the wealth-producing power of the nation, and it is equally true that as a whole the laborers are poor. Some cause has been operating with continual and growing effect, to separate production from the producer. The wrong is evident, but neither legislators nor philanthropists have traced it to its true source; hence they have not been able to provide any sufficient plan for its removal.

The design in the following pages is to point out the true cause so plainly, that any ordinary mind may easily comprehend how it has produced and continued this unnatural oppression of labor; and to present a simple and effectual remedy for the removal of the evil.

No government, whether republican or not, that fails to secure the distribution of property according to the earnings of labor, and at the same time to strictly preserve the rights of property, can permanently insure the freedom and happiness of the people. The plan proposed is safe and certain, and contemplates no agrarian or other distribution of property, nor any interference in contracts between capitalists and laborers. Its perfect adaptation to the genius of our free institutions—to the present and future wants of the government and business interests—with the simplicity and economy of its workings, and the justness of its bearings on all classes and interests, cannot fail to commend it to every disinterested intelligent mind.

The wants of civilized society cannot be supplied without a division of labor. One man cannot provide his own food, clothing and shelter, but is necessarily dependent on the labor of others for a supply of a part of his wants. A division of labor necessarily requires a system of credit; for all exchanges of property or values are credits for a longer or shorter time.

A system of credit creates a necessity for a legal medium to represent, measure and exchange values, and to facilitate the exchange of property and products.

things that render any thing
estimated by its usefulness,

management, may build a
factory that is capable of man-
ufacturing four daily; whilst another
may expend twenty thousand
dollars that will make only one
factory costing ten thousand dollars
the most valuable; and so
valued by labor.

actual value and legal value.
applies to any thing that can be
valued without being exchanged for
anything belongs to any thing which
is exchanged for things of real value.
is assessed of inherent value. The
may be used for the supply of our
needs being exchanged for something of
a legal value.

Essential Nature and Properties.

for the exchange of property and
tender in the payment of all debts.
tender in the payment of debts, it must
be established by national law. To
be property, it must be endowed with
certain powers or powers, viz: *power to represent
value, power to exchange value, and
value by interest.* The absence of any
would destroy its usefulness as a medium
properties or powers are inherent in no
and must be conferred on the material used.
It is a radical error to suppose that the
depends upon the material of which it is made.
only an immaterial or legal value.

Power of Money to Represent Value.

legal representative of property; the real value
property, and money is only the legal medium by
which value is represented and exchanged. The repre-
sentative is always distinct from the thing represented, and
the absence of the representative implies the absence of the
represented. The power to represent is always inde-

the natural or inherent power of the representative does not change the original capabilities or qualities of the thing. Delegated power gives the agent, person or thing, authority over other persons or things which, by his own capabilities, he does not possess. For instance: one person cannot give a note, bond or deed, binding on another property of another; but he may be clothed with authority to execute a note, bond or deed, binding on another or property of another; but this delegated power does not change his capabilities as an individual. The sole use of money being to exchange property, to be fitted for this purpose it must be constituted a legal representative of actual value; for it has no inherent value that makes it an equivalent for products or labor.

Power of Money to Measure Value.

“Measures are definite quantities of length, weight, size and value. The pound-weight, yard-stick, and bushel, are measures of quantity, and the dollar or money is the measure of value.

In business transactions the length, weight, quantity and value of all articles, are settled by certain measures fixed upon by the Government. The length of the yard-stick, the size of the bushel, and the pound-weight, measures and determines a before undefined, length, quantity and weight. The value of the dollar measures and determines a before undefined value of land, labor or products. When the yard-stick measures cloth, it does not determine its own length; and when money exchanges property, it does not determine its own value. Both the length of the yard-stick and the value of the money were previously determined by the laws which instituted them and gave them power to measure length and value, which are their sole object and uses as measures. The standard of weights and measures determines the weight and quantity of all commodities, and the dollar or money the standard of value, should by its own fixed legal value determine the amount of value of all other things. If the measures of quantity be variable, they will commit frauds when used; and if the value of the dollar be fluctuating, it will likewise commit frauds when used to measure the value of labor or property. Measures to be strictly just must equitably determine quantities and values, whether of land, labor, or commodities. The Government reserves the right to fix the length of the yard, the weight of the pound, the size of the bushel, and the value of the dollar, that they may be fitted for public use. Money is the public measure of value, and the Government is bound to make it just and uniform, that it may correctly determine the value of all commodities.”

The Power of Money to Accumulate Value by Interest.

"With the power to represent and measure value, money must have the power to accumulate value by interest. This power is essential to its existence; for no one would exchange productive property for money, if it did not represent production.

The rate or amount of interest that the dollar commands determines its value, and makes it equal to a given amount of actual value or property; as much as the amount of service a horse can perform determines his value, or as the nett proceeds of a farm determines its value. The value of the horse and the farm are natural to them, and consists in their power to produce. The value of the money is artificial, and depends on its legal power to represent actual value and to accumulate by interest. A farm that produces a nett annual income of a thousand dollars, is more valuable than one that yields but five hundred dollars; so a dollar that can be loaned for twelve per cent. is more valuable than one that can be loaned for but six per cent.

The value of money as much depends upon its legal power to be loaned for an income, as the value of the farm and horse does upon their natural power to produce. Any increase or diminution of the power of money to accumulate by interest, increases or diminishes proportionably its value; and consequently its power over labor and property. To keep the value of money uniform, the rate of interest must be kept uniform. Doubling the power of the dollar to accumulate, doubles the value of the dollar. It may still retain the name of *dollar*, but it will possess twice its former power over property and labor.

The same principle applies to all measures; the length of the yard-stick being doubled, although it might still retain its name, it would measure twice as much cloth as with its present limits. And money, while its denominations remain the same, measures more or less property according to the rate of interest. We may imagine a measure fluctuating, expanding and contracting between certain points; as a yard-stick made of some elastic material susceptible of being stretched to twice or thrice its ordinary limits, and still called a yard-stick and used as such; but no one would deem himself acquainted with the actual length of anything measured by this yard-stick; although if it were the legalized one it could and must be used.

Measures are instituted, and their length, bulk and weight are fixed by law, and not by individuals. The measure of value is instituted and made by law; and consequently it is fraudulently used when the rate of interest upon it which determines its value, is altered by individuals. The right to

fix the value of money is as much reserved by the Government, as the right to fix the weight of the pound or the length of the yard; and the regulation of its value is a thousand times more important to the people. Although the value of money is now professedly fixed by the Government, we can form no correct idea of what its value will be at the end of three or six months hence. But we should think it ridiculous to ask what would be the length of the yard, or the weight of the pound, or the size of the bushel, three or six months hence. We should think farmers, manufacturers and merchants crazed if they should express great anxiety as to whether enough measures could probably be had to determine the weight and quantity of their products; and under a just and sound monetary system, it would be equally absurd to ask whether enough money could be obtained to buy or exchange the goods; and it would appear as ridiculous to ask what the rate of interest would be at the end of three or six months, as to ask how many feet it would then take to make a yard. Money properly instituted would be as definite and uniform as the latter measure, and would no more govern the amount of production than the yard-stick does the quantity of cloth manufactured. It could be about as easily procured to facilitate all desirable production, trade and improvements, as yard-sticks to measure any quantity of cloth. The value of money is no more fixed or regulated by the laws ordering each piece of money to be coined of a certain weight and kind of metal, than the length of the yard would be fixed by ordering it to be made of a certain weight and kind of wood, without regard to its length."*

The Power of Money to Exchange Value.

"Another power of money is to exchange property. When it is made a public representative of value, and the interest fixed at a just rate, it is fitted to perform the function of money, which is the equitable exchange of property. All goods, wares and merchandize, although they may be exchanged for money a number of times, soon find a place where they are consumed; but money never reaches a point where it can be used except as a tender in exchange for property.

*NOTE.—I take this occasion to say that I have been greatly assisted in my labors by a work it was my good fortune recently to procure, entitled, "NEW MONETARY SYSTEM, BY EDWARD KELLOGG." All the quotations marked in these pages are from that excellent work. A considerable portion of this pamphlet was written before I read this work, and I find in many instances I have used almost the identical language of that author which are not credited; and there may be other instances where due credit has not been given; but I desire, in this general way, to give full credit. Indeed, it would be about as difficult to write Theology and not use the ideas and language of the Bible, as to write the truth on money or finance without using the language and ideas of the New Monetary System; for it is the *Gospel of Finance*. The author presents this important subject so clearly, that the most ordinary mind can fully comprehend it; and at the same time so forcibly that the bitterest opponent cannot successfully resist the power of his arguments.

No American citizen should be without a copy of this work. Laborer, read and study it. It will teach you your rights.

"The object of the institution of money is to facilitate the exchange of commodities, and this it could never do unless it were possessed of as much legal value as the thing for which it is to be exchanged possesses actual value. If a farmer has five hundred bushels of wheat with which he wished to buy sugar, coffee, tea, molasses, clothing and so-forth for his family, he will not sell the wheat for five hundred dollars unless the money will be a legal equivalent for all the articles for which he wishes to exchange his wheat. He does not want the money to keep; he wants it to exchange for other articles that he needs to use or consume, and he sells it for money because the money is a legal equivalent for every species of property. It would be very difficult for him to divide up the wheat and barter for the various articles in different places; and the wheat is not a legal tender. But he can divide up his money in amounts to suit all his purchases, and the money is a legal tender in payment.

"Instead of a medium of exchange, money is frequently called *capital seeking investment*. If money be capital it is already invested; because the capital would consist in the inherent value of the material of the money, and not in the thing the money seeks to obtain. But when money has found one investment, it is as much a seeker for a second and a third investment as if it had not been invested at all. It is always seeking investment without being investment." We are accustomed to say money is invested in property; but this is not true. Money is no more invested in property, than the yard-stick is invested in the cloth it measures. "Money is then a combination of legal powers expressed upon metal, paper, or some other substance. Its value is the standard or determiner of the value of all other things, and it serves as a public medium of exchange for land, labor, and all commodities."

The Material of Money a Legalized Agent.

The material of money—gold, silver, paper, or any other substance—is a legalized agent made to express the four properties or powers of money, and render them available in business transactions. Common usage has applied the term measure to the material, by means of which length, weight, etc., are ascertained. It matters not whether the yard-stick and pound weight be of wood, iron or gold; length and weight are the only properties necessary to be expressed by them, and possessing the standard limits their material is a matter of indifference. Of course some material is indispensable; but the only thing that makes one substance preferable to another, is its superior convenience. So of money; it is a matter of indifference by what material the powers are

expressed, for the material is merely a substance fixed upon by law.

The natural powers of any material do not make it money. Its powers and agency as money are delegated to it by law, in addition to its natural capabilities. When gold is used, the powers conferred upon it make it an equivalent for every species of property. If gold had not been selected for the material of money, and a legal power given to it to exchange property and to accumulate interest for its use, a man would have as little need for more gold than he requires for utensils and ornaments as he has for more clothes than he can wear, or more tools than he can use. But when it is made the agent of these legal powers, it becomes necessary to acquire the gold in order to discharge debts; and the quantity of the metal being limited, its owners are enabled to extort from the necessitous a very high price for its use.

The common opinion that the material of a currency must be something scarce and difficult to procure, that the limited amount may render it permanently valuable, arises from a misconception of the nature of money, the properties of which are entirely independent of the material. The value of money depends upon its powers to represent, measure, accumulate and exchange value. These powers given to any convenient material by congressional enactment, will qualify it for a medium of exchange, and in every particular constitute it money.

The Rate of Interest the Governing Power in the Distribution to Capital and Labor.

There are but two purposes to which the yearly products of labor can be applied. One is the yearly rent or interest on the capital employed, and the other is the payment of labor. The rate of interests maintained on loans of money, determines what proportion of the earnings of labor shall be paid for the use of capital, and what proportion shall be paid to the laborers for their productions. If laborers pay to capital, as use or interest for the year, their whole surplus products, the laborers, as a body, work for a mere subsistence of food, clothing and shelter, and these in many instances of the poorest kind; while the capitalists live at their ease and revel in luxury. The rate of interest on money governs the rent or use of all property, and consequently the reward of labor. The centralization of the property of the nation into the large cities and the pockets of a few capitalists, is in proportion to the rate of interest maintained on loans of money above the average rate of increase in the national wealth.

The time in which money, loaned on interest and the interest collected and re-loaned annually, will double, is determined by the rate per cent. It may be proper to remark that this is the

law governing interest. No man would take a note for one hundred dollars, bearing six per cent. per annum, interest and principal payable at the end of twenty years, as an equivalent for one for the same amount and time, bearing the same rate of interest, payable annually; for while the former would amount to but two hundred and twenty dollars, the latter would amount to three hundred and twenty dollars. When the interest is paid annually, the capitalist re-loans it, and it goes to gathering up more of the products of labor, taking them from the laborers and appropriating them to the capitalists.

Money loaned at ten per cent. will double in seven years three months and five days; at nine per cent., in eight years and fifteen days; at eight per cent., in nine years and two days; at seven per cent., in ten years, two months, and twenty six days; at six per cent., in eleven years, ten months, and twenty-one days; at five per cent., in fourteen years, two months, and thirteen days; at four per cent., in seventeen years and eight months; at three per cent., in twenty-three years, five months, and ten days; and at two per cent., in about thirty-five years.

To give an idea to what extent the power of interest operates, it is only necessary to say that all the money lent on bonds and mortgages by individuals, by insurance and trust companies—all lent for United States, State, County, City, Railroad, Canal, and other bonds, to make public improvements, whether these improvements be made by corporations, by the State or by individuals; also all the money lent by banks, brokers and individuals, on promissory notes—all these loans are operating with a like centralizing power against the producers and distributors of the national wealth, and in favor of the money lenders—money. This power also establishes a like rate per cent. rent to be paid for the use of all property, real and personal. All the goods on hand in the nation and in process of being manufactured, are under tribute to this centralizing power.

It is an unavoidable power, because it is instituted and enforced by the national laws, and is the basis upon which all market values are founded.

In order to determine what would be a just rate of interest on capital, we must ascertain the rate per cent. in the increase of the national wealth; and to approximate this the more closely, we must take the longest possible period of our history. Let us then take the period from 1790 to 1860—seventy years. In 1790 our population was 3,929,827, and in 1860 it was a fraction over 31,000,000; but for sake of convenience we will call the former 4,000,000, and the latter 32,000,000, being in 1860 eight times the number it was in 1790. The assessed value of the real and personal property of the nation as per

census of 1860, was sixteen billions of dollars. I have not the means of ascertaining the value of the property of the country in 1790, but think it quite safe to assume that it was half as much per capital as it was in 1860, which would be \$250 each. This for 4,000,000 would be \$1,000,000,000, equal to an increase of sixteen fold in the value of the property, and of eight fold in the population, being a fraction over four per cent. in the increase of the property, and a fraction more than three per cent. in the increase of the population.

The lowest rate of interest on money established by any State, has been six per cent., and the rate has fluctuated between six and twelve per cent. during that period. If we take into the account the rates authorized on the bonds of corporations, States, &c., and the prices at which these bonds have been sold, and the exorbitant rates in many cases in business transactions, I think it will not be doubted that the average rate would be at least eight per cent. per annum. Property being then more equally distributed than it is now, we will suppose one-eighth of the population to have owned one-fourth of the value of the property, and to have loaned it on interest or rented their property at this rate, collecting and re-lending the interest annually for the seventy years, the amount would be fifty-four billion, six hundred and thirty-nine million, three hundred and ten thousand, six hundred and forty-two dollars (\$54,639,310,642); or over three times the amount of the value of the whole property of the nation as per census of 1860. This will account fully for the many monetary crises we have had during that period, and for the rapid centralization of the property of the nation into the hands of the few capitalists who produce no part of the national wealth, and for the impoverishing of the wealth-producing classes. Money creates no wealth; it only gathers up and appropriates to its owner things already produced.

Let us see what the result would have been with the rate of interest on money and rents at three per cent. instead of eight per cent. Two hundred and fifty millions at three per cent. for seventy years, would amount to \$1,980,000,000. One billion nine hundred and eighty millions of dollars, or less than one twenty-seventh part of the amount at eight per cent; while the former rate would amount to over three and one-fourth times the amount of the whole property of the nation. At the latter rate, the producers would have retained fourteen billions and twenty millions of dollars, or over seven-eighths of their whole production.

But it may be said, we have no means of ascertaining what would be a just rate of interest on capital. The earth is the origin or source of all wealth, and labor is the means of developing these natural resources, and rendering them available for the wants and comforts of man. Labor is, therefore, the

wealth-producing power of the nation. Agriculture furnishes the main part of our exports, and pays for all our domestic manufactures; it is, therefore, the leading interest, and the foundation of the national wealth. A renter cannot afford to pay over one-third of the nett proceeds, and keep up all the repairs, for a good and well improved farm. In 1790, the industrial classes owned 750,000,000 of the property, and the money lenders (or money,) 250,000,000. The producers were entitled to the whole increase on their own part, which would have amounted to \$12,000,000,000, and to two-thirds of the increase on the money, which would have amounted to \$2,666,666,666; total, fourteen billion, six hundred and sixty-six million, six hundred and sixty-six thousand, six hundred and sixty-six dollars, leaving to money one billion, three hundred and thirty-three millions, three hundred and thirty-three thousand, three hundred and thirty-three dollars, being only about two and one-third per cent., and showing that, where agriculture is made the basis, even three per cent. is too high a rate of interest on capital.

It may be said that the practical result will not sustain the argument. A sufficient answer to this objection is, that we have no means of knowing what would have been the present condition of the country, under the operation of a just monetary system, for the country would have steadily prospered, and we would have avoided the financial crises which have so frequently prostrated all branches of productive industry. Besides, full one-half of the property of the nation is now owned by less than five per cent. of the population, and these belong mainly to the class who have not aided in its production, but have accumulated their wealth by means of our unjust monetary system. Let him who doubts this proposition, take any city or village, having a population of five thousand or upwards, and see if he cannot find, in a population of five thousand, fifty of the most wealthy individuals who own one-half of the permanent wealth of the place. Allowing five to the family, this would make two hundred and fifty, which is five per cent. on five thousand.

From this stand point let us look forward twenty years. Although the increase in the national wealth for the past seventy years would seem to have been four per cent. per annum, it must be remembered that we acquired a large amount of valuable territory, and rendered productive a large quantity of our best and most valuable soil, during that period; besides, the basis upon which our future increase is to be made is sixteen times larger than it was in 1790, while our population is only eight times the number it was then. I do not therefore see anything to justify an estimate of over three per cent. increase in our national wealth in the future, and without a radical change in the principle of our monetary

system, I see nothing to indicate that the rate of interest on money will be lower in the future than it has been in the past; on the contrary, everything seems to point to even higher rates. Past accumulations seem but to have increased the avarice of the bankers and usurers.

The value of the national property, real and personal, in 1860, was \$16,000,000,000; one-half of which belonged to capital, or money, and the other half to the producers, or labor. Estimating the increase of the national wealth for twenty years at three per cent. per annum, the amount will be \$28,897,776,000
 Capital's share, \$8,000,000,000 at 8 per cent., 37,287,656,000
 Labor's share, \$8,000,000,000 at 3 per cent., 14,448,888,000

This statement shows the absurdity of the power given to money—the medium of distribution to capital and labor. Under the operation of our present unjust monetary system, there is no hope of the producers or labors bettering their condition, for the same centralizing power will be continued, and we shall have a recurrence of the periodical crises which have heretofore so frequently prostrated all productive and commercial enterprise, and robbed labor of its just reward.

Let us see the result with the rate of interest on capital at three per cent.

Money's share, 8,000,000,000 at 3 per cent., \$14,448,888,000
 Labor's share, 8,000,000,000 at 3 per cent., the
 average increase in national wealth, 14,447,888,000

Thus, with money at three per cent., the producers and distributors would have to give one-half of their entire productions to capital. If we take agriculture as the basis, the account would stand as follows, the producers owning one-half of the national property would be entitled to the whole increase on their own part, and to two-thirds of capital's share:

Producer and distributor's share, \$8,000,000,000
 Increase on same in twenty years, 6,448,888,000
 Two-thirds of the increase on capital's share
 for twenty years, 4,299,248,667

Labor's share at the end of twenty years, \$18,748,136,667

Capital's share, \$8,000,000,000
 Increase on same in twenty years, 6,448,888,000
 \$14,448,888,000
 Deduct the two-thirds due to labor, 4,299,248,667

Capital's share at the end of twenty years, \$10,149,639,333

Increase on capital in twenty years, \$2,149,639,333

Thus it will be seen, that if we continue the bankers' and

usurers' scheme, the few capitalists will absorb the whole national wealth in less than twenty years; while, if we adopt a just monetary system, taking agriculture as the basis of the nation's wealth, money's share will only be a fraction over one per cent. per annum.

While this may be too low a rate of interest on money, or capital, it is certainly much nearer the true rate than that demanded by the capitalists. A candid and thorough investigation of this subject cannot fail to convince any disinterested intelligent mind that three per cent. is the highest rate the producers and distributors, as a whole, can afford to pay for the use of money or capital, and do justice to themselves and families.

The Constitution of the United States declares: "The Congress shall have power to coin money and regulate the value thereof, and of foreign coin, and to fix the standard of weights and measures." Congress has definitely fixed the length of the yard, the size of the bushel, and the weight of the pound, but they have not fixed the value of money. Money is the legal standard of value. The rate of interest fixes the value of money. Its value is no more fixed by the quantity or quality of its material than the size of the bushel is fixed by the quantity and quality of its wood. It would be thought unwise and unjust if Congress should provide that the yardstick should be made of a rare and costly material, and to authorize a few merchants to regulate its length; and yet it would not be half so injurious to the public good as to empower a few bankers and usurers to regulate the value of money. In the former case, the merchant would be brought face to face with the purchaser, and the fraud would be seen, and the buyer would have the means of self-protection, while, in the latter case, the power operates silently and unseen, and the oppressor is seldom brought in contact with the injured party. The rapid centralization of the property of the nation into our large cities, and into the pockets of the strictly non-producers, is plain to every mind. The wealth-producing classes have sought to avert this evil, and better their condition, by almost every means but the true one. Labor-saving machines have been invented to increase production, and every possible means of improving the quality of the various productions of the soil and labor, have been introduced, and new avenues of transit have been multiplied to cheapen transportation, but all to little or no avail. These classes are still condemned to toil on in comparative poverty. The increase in productions, the improvement in quality, with the increased means of transportation, have but tended to augment the wealth of the few capitalists, and impoverish the industrial classes.

"With the present accumulative power of interest, there is

of the laboring classes gaining their rights by their labor to increase production, than there is of success in combining their labor to reverse the law of gravitation, and make them run to the tops of the hills up the waters on their summits. The law of gravitation in the latter case, would not be more sure to govern their labor and frustrate all their plans, than the power of the interest on money is sure to govern increased production and add it to the wealth of the capitalists. The fault is in the law which governs the distribution of property, and combinations to increase production cannot more effect any general change in the distribution of property than combinations against the law of gravitation would change in its general governing powers. The evil is in the law, and the remedy must be legislative."

Now to consider the qualifications of the circulation of money which has been in use, as well as that proposed by the system of National Banks, for the performance of the proper functions of *money*, and to show the superiority of both systems to meet the wants of the people, and of commercial interests of the country, and then to point out the True American System of Finance, and to point out the superiority over these systems.

Metallic Currency.

However desirable a purely metallic currency may be in the opinion of some, there is no probability that it will ever be adopted by the American people. Since the establishment of the government, various attempts have been made for the accomplishment of this object, but they have always signally failed; nor is it by any means certain that success would have been beneficial to the industrial interests.

All civilized nations have, to some extent, substituted a paper currency, in some form or other, indicating the universal opinion that it either was not convenient, or that there was not a sufficient amount of the so-called precious metals for a circulating medium. If this opinion be well founded, and I think it is, it would be unwise and impolitic to adopt an exclusive metallic currency. Money being indispensably necessary to represent, measure and exchange values, it should only be limited by the amount of property and products to be exchanged, and should be subject to the control of the sovereign people; otherwise, a few capitalists can monopolize the whole circulating medium, or measure of value, by which they will be enabled to exact the most exorbitant rates of interest from the wealth-producing classes, and encourage or prostrate every branch of productive industry at pleasure.

Money being a legalized agent for the just exchange of

property and products, deriving its powers not from the quantity or quality of its material, but from the law instituting and making it a public tender, it would be, to say the least of it, doubtful economy to adopt a material requiring so much labor for its production, while one better suited and more convenient for all the purposes of money, can be had almost without cost. There is one argument frequently offered in favor of a specie currency to which I shall briefly reply. That is, that the so-called precious metals are legalized as money by all civilized nations, and that we cannot maintain commercial relations with them unless we legalize these metals as money. A sufficient answer to this argument is, that our coin is not current, at the standard fixed by our laws, in any foreign nation. They only receive it at their standard of value, and greatly prefer bullion. If we did not use these metals as a circulating medium, we would have more of them to ship abroad for the settlement of balances or to exchange for articles of real value. Besides, legitimate commerce is the exchange of the productions of the territory and labor of one nation for those of another. All beyond mere barter is a matter of debt, and if we imported three hundred millions of dollars in excess of our exports, we would have to part with all our coin, which would derange the entire industrial interests of the nation.

The system of currency I propose contemplates no change whatever with regard to the use of these metals as a circulating medium. It only asks that the same legal powers be conferred on the treasury notes, issued by the government, that is given to these metals, and giving to the sovereign people the right to determine the amount of money necessary to transact the business of the country and the power and privilege of rejecting every kind of currency that is not a legal tender in payment of all public and private debts.

The System of Banking on no Securities.

A bank or paper currency, purporting to be redeemable in coin, has been mainly the circulating medium of our nation since its origin, the principal exception being the system adopted in a few of the States of banking on State Stocks. The charters of these banks authorized them to issue from two and a-half to three dollars for each dollar of coin they held, which was the only security the public had for the redemption of their notes. But they seldom regarded even this liberal restriction, but in many cases issued over ten dollars of paper for each dollar of coin they held. The necessity for money to conduct business operations, and the absence of anything better compelled the people to accept their notes in exchange for their property and products, which gave the bankers the

control of the monied interest of the whole country, and they have wielded this power with an eye single to their own benefit. They have expanded and contracted the currency, raised and lowered the rate of interest, encouraged or prostrated all legitimate enterprise and productive industry, set the laws at defiance, and suspended and resumed specie payments at pleasure, and have, in every possible way, made the public interest subservient to their cupidity.

I will not attempt to give a detailed estimate of the losses this fraudulent system has inflicted on the people. They can only be counted by the thousands of millions of dollars. It has certainly cost the wealth-producing classes more than all the wars the nation has ever been involved in, including the present gigantic rebellion. And if the rebellion shall be the means of ridding us of it, and establishing a true monetary system and a just financial policy, it will prove to be the greatest financial benefit ever conferred upon the industrial and enterprising classes of the nation.

When we reflect upon the losses and wrongs it has inflicted and the frauds it has perpetrated upon the producers and distributors of the national wealth, it seems strange that one honest intelligent advocate for its continuance can be found; yet there are a few who dread making a change, but their number is diminishing rapidly. The necessities of the government have been the means of enlightening the public mind on this subject. The short time that treasury notes have been in circulation has shown the people the value and advantages of a sound currency, and given them an opportunity to contrast the two systems, and the difference is so great that it is hardly possible they will ever consent to accept a bank currency issued under any system; if they consult their true interests, they certainly will not. It is to be devoutly hoped that the day is not distant when we shall have a currency strictly national, in which all shall be alike interested, and which shall be under the direct control of the sovereign people, and when the very name of a bank note shall become the synonym of deception and fraud.

Bankers' and Usurers' Scheme.

The banking law passed at the late session of Congress, provides for the establishment of a system of National Banks in all the States and Territories, the issues or circulating notes of which are to be secured by pledge of United States stocks bearing six per cent. interest, payable semi-annually in coin. The law is of great length, and exceedingly complicated. Its general provisions are, however, similar to the free banking law in several of the States, with the exception of the securities, which are to be United States stocks exclusively. My pur-

pose not being to compare this system of banking with the system of banking on no securities, nor with any other banking system, but to show, by contrasting it with what seems to me to be the true American system of finance, that neither the wants or interests of the Government, nor of the producers and distributors of the national wealth, can be promoted by this or any other system of banking. An extended review of the provisions of the law not being necessary to my present purpose, I shall only point out a few of what seems to me insuperable objections to this scheme, and then proceed to contrast it with the True American System of Finance.

SEC. 1 provides, That the chief officer of the Bureau of Currency shall be styled "*the Comptroller of the Currency,*" and shall be under the general direction of the Secretary of the Treasury. He shall be appointed by the President, upon the nomination of the Secretary of the Treasury with the advice and consent of the Senate. Term of office, five years, unless sooner removed by the President and consent of the Senate; salary, five thousand dollars per annum. To have a deputy, who shall be appointed by the Secretary of the Treasury, with a salary of two thousand five hundred dollars; the Comptroller empowered to employ the necessary clerks to discharge such duties as he shall direct, which clerks shall be appointed and classified by the Secretary of the Treasury. The Comptroller and deputy shall take the oath of office prescribed by the constitution and laws of the United States and give bonds, the former, one hundred thousand dollars, and the latter fifty thousand dollars, with security approved by the Secretary of the Treasury.

SEC. 54, Authorizes the Secretary of the Treasury to employ any of such associations as depositories of the public money, except the receipts from customs.

SEC. 11 and 46 Confers on every association organized under this act, general banking powers, and authorizes the taking or receiving of such rates of interest as may be fixed by the laws of the States and Territories in which such banking association may be located and provides that such rates of interest may be taken in advance.

SEC. 16 and 41 provides, That every bank, organized under this act, upon depositing with the Secretary of the Treasury United States bonds, bearing six per cent., shall receive from the Comptroller circulating notes equal in amount to ninety per cent. of the current market value of the bonds deposited, but not to exceed the par value thereof; and that every association shall keep on hand, in lawful money of the United States, twenty-five per cent. of its outstanding notes of circulation for the redemption thereof: *Provided*, That clearing house certificates and balances due from other associations, in good standing, and subject to sight draft, may be counted as part of such reserve to the amount of three-fifths thereof.

SEC. 18 and 19 provides, That the Comptroller, under the direction of the Secretary of the Treasury, shall procure the dies and plates for printing the notes for circulation, and print and deliver the notes to the banking association, and all expenses incurred thereby shall be audited and paid as contingent expenses of the treasury department. " And for the purpose reimbursing the same, and all other expenses incurred under this act, and in lieu of all taxes upon the circulation authorized by this act, or upon the bonds deposited for the security of the same, the associations organized under this act shall pay semi-annually to the Comptroller, in lawful money, (Treasury notes,) one-half of one per cent. on the amount of circulating notes received by such association.

SEC. 17 provides, That the entire circulation shall not exceed three hundred millions of dollars, one half of which is to be apportioned to the several States and Territories, according to their representative population, and the remainder is to be apportioned by the Secretary of the Treasury among the States and Territories, having due regard to the existing banking capital, resources and business of such States and Territories.

SEC. 26, 27 and 28 provides, That when any bank shall fail or refuse to redeem its circulating notes with lawful money, (legal tender, Treasury notes,) the Comptroller may declare the stocks pledged forfeited to the United States, or so much thereof as may be necessary to redeem its circulation, and pay its circulating notes out of the United States Treasury; or he may sell such stocks at public auction, in the city of New York; or he may, if in his opinion the interest of the United States would be promoted thereby, sell such stocks at private sale, and receive therefor either money or the notes of such failing association: *Provided*, no such bonds shall be sold at private sale for less than their par value, nor for less than their current market value at the time of sale.

SEC. 65 Reserves to Congress the right, at any time, to amend, alter or repeal this act.

Among the prominent objections to this scheme are the following:

1st. It confers on the Secretary of the Treasury of the United States unprecedented and dangerous powers. He has the appointment of every officer and clerk in the Currency Bureau, without the advice or consent of any other officer or department of the Government, and their term of office is made to depend on his will, with but one exception, that is, the Comptroller, and he is nominated by the Secretary, and subject to his direction and control. Thus, for the government of the Bureau of Currency, he is clothed with absolute power, without check or restraint from any other department of the Government. And indeed, so far as the interests of

the Government and people are concerned, with but a few unimportant exceptions, these unrestricted powers prevail throughout the whole law. It might, at first sight, appear that the Comptroller had a limited authority to act independent of the Secretary, but a careful examination of the various provisions of the law will show that he is a mere machine to execute the will of the Secretary.

2nd. General and liberal banking powers are granted to these banks, to the extent of three hundred millions of dollars, with the use of the public money (except the receipts from customs,) for banking purposes, and their circulating notes furnished by the Government. And in consideration of these powers and privileges, and to reimburse the treasury for expenses incurred, and in lieu of all TAXES on their circulation and the bonds deposited for the security of the same, these banks are required to pay into the National Treasury only one-half of one per cent., semi-annually, on their circulating notes, which will be found to be less than one-third of the average amount of taxes paid on other property, exclusive of the expenditures by the Government in providing their circulating notes, maintaining the Currency Bureau and supervising the associations, which will probably absorb nearly the whole amount of the tax paid by these banks. Thus, instead of these banks paying a liberal bonus to the Government for the privileges and powers granted to them, as claimed by these bankers and their allies, the law virtually exonerates them from taxation.

3rd. The currency furnished by these banks will not be a public tender, and therefore can in no fair sense be called money. Its value will not be uniform, for while the more solvent institutions in the commercial centres will be at par, those located at less accessible points will be looked upon with distrust, and brokers will drive about as thriving a business as they have done under the system of banking on no securities. When one of these banks fail, (which will depend very much on the action of the Comptroller or Secretary of the Treasury,) its circulation will become uncurrent, and it will take the Comptroller at least ninety days, on an average, to wind up the affairs of such failing association, and redeem its bills, and he may extend the time nine months, or even longer. In the mean time the brokers can purchase these notes from the necessitous at heavy discounts.

4th. One-half of the amount of the circulation of the banks is to be apportioned among the States and Territories, according to their representative population, and the other half is to be apportioned among the States and Territories by the Secretary of the Treasury, having due regard to the existing banking capital, resources and business of such States and Territories. The effect of this will be to give a few of the

eastern cities and villages the controll of the currency of the nation, they having the major part of the existing banking capital. Indeed, the Wall Street gamblers will, as heretofore, have the controlling influence in the regulation of the currency of the whole country. These parties have already their agents in almost every village in the land, organizing these associations by getting a few of the business men in these towns to act as nominal directors, the Wall Street parties furnishing the securities. The local officers, in most cases, will be mere automatons to execute their will, and they will thus be enabled to control the entire circulating medium and trade of the country, independent of the Government and people. The premium on coin, and consequently the rate of interest on the Government securities and money, in all business transactions, will only be limited by their cupidity.

5th. Let us now see the advantages these banks are to derive from these privileges and powers, also the detrimental effects of the system on the Government and the producers and distributors of the national wealth.

They are to have the use of the public money, which, at a low estimate, I think will average at least sixty millions of dollars, as a permanent deposit, and which, for banking purposes, will be worth to them as much as five per cent. per annum. They are authorized to redeem their circulating notes and to pay the small pittance of tax levied on them, in lawful money; in a word, every payment they have to make to the Government and people is stipulated to be paid in lawful money, which means legal tender notes, while on the other hand, the interest on the Government bonds is payable half yearly in coin. To show the effects of this provision on the Government and wealth-producing classes, we have but to approximate as nearly as possible the amount of the national debt, and the time it will have to run.

It is quite safe to assume that our national debt will reach at least two billions of dollars by the first of January, 1865, and that it will not fall below this amount during the next fifty years. I think there can be no diversity of opinion on these points, when we consider that the ordinary current expenditures of the Government must greatly exceed the largest amount required at any period before the commencement of this rebellion, and when we add to this the interest on the national debt, and the debts incurred by the States, cities and counties to encourage enlistments, etc. It will certainly require all the taxes the people can bear to meet the current expenses, without paying any part of the principal in the time named. The interests of these banks, the usurers, the stock-gamblers, and the holders of the Government securities generally, will be promoted by maintaining the premium on coin at the highest possible point, and they will undoubtedly

combine for the purpose of securing their mutual interests, and these banks will be the medium through which they will operate. They will become the agents for the collection of the interest on the Government bonds generally, and so long as coin commands a premium of five per cent. or upwards, it will not circulate as money, and the major part of it will soon find its way into their vaults. The highest estimate of the amount of coin in the nation has not exceeded three hundred millions of dollars. As much as fifty millions of dollars of this is hoarded in stockings, etc., and never enters into circulation at all, leaving, as the amount of coin in circulation, two hundred and fifty millions of dollars. The interest on the Government debt will be sixty millions of dollars every six months. At the end of eighteen months, or two years at farthest, these parties will have a complete monopoly of the coin of the nation, with power to compel the Government and people to accept whatever terms they may see proper to dictate. Under these circumstances it would be supreme folly to suppose that the premium on coin will fall below fifty per cent.—it is much more likely to go up to one hundred per cent.—but, at fifty per cent. premium, it will make the interest on the Government securities equal to nine per cent. per annum in the money of trade, which will be mainly the notes of these banks, unless it should be the interest-bearing legal tender treasury notes, four hundred millions of dollars of which the Secretary is authorized to issue, with discretionary power to fix the rate of interest, not exceeding six per cent., and the time not exceeding three years, and to make them a legal tender for their face. He has already issued fifty millions of dollars of these notes, making them a legal tender and fixing the rate of interest at five per cent., payable semi-annually, and negotiated, or rather, exchanged them with the New York, Boston and Philadelphia banks for legal tenders bearing no interest. Should the banks desire these notes for their reserve, they can secure such alteration in the law authorizing their issue as they may desire, for the same influences that passed this banking law will enable them to carry any measure they may insist upon.

Thus these banks will have the entire control of the currency of the whole nation, with power to expand and contract it at pleasure, to suit thier own selfish views and ends, without regard to the interests of the Government and wealth-producing classes. Money being indispensable to production and commerce, this monopoly will not only enable them to regulate the rate of interest on the Government securities, but to dictate the rate in all business transactions, and I see nothing to prevent them from maintaining as high a rate on money in business transactions, as on the Government securities. If any of these banks are only required to redeem their



circulation in legal tender notes, they will not circulate their notes in their own localities, but will exchange them for the issues of other banks located at distant points, and thus evade redemption altogether, and where they keep the interest-bearing legal tenders as their reserve, the interest on them will be clear profit.

It will be the interest of the bankers and usurers to maintain the premium on coin as high as possible, for if they let it circulate with their currency they will only be able to realize six per cent. on the Government bonds, and to loan the interest they receive at the same rate; but by keeping the premium on coin at fifty per cent., the interest on the Government bonds will be equal to nine per cent. per annum in the money of trade, and they will be able to loan the interest they receive on the Government securities at the same rate. At the end of two years the account will stand thus:

Interest on \$2,000,000,000, 1st y'r at 9 per ct.,	\$180,000,000
“ 180,000,000, 1 y'r at 9 per ct.,	16,200,000
“ 2,000,000,000, 2nd y'r at 9 per ct.,	180,000,000
Total,	\$376,200,000
On \$2,000,000,000, 1st y'r, 6 pr c.,	\$120,000,000
“ 120,000,000, 1 y'r, 6 pr c.,	7,200,000
“ 2,000,000,000, 2d y'r, 6 pr c.,	180,000,000
Total,	247,200,000
Net gain in two years,	\$129,000,000
To accomplish this, suppose they should have to hold \$250,000,000 of coin for two years, the interest on it would be	80,900,000
Net gain by keeping coin at 50 per cent.,	\$98,100,000

Let us see how the account will stand between the producers and distributors of the national wealth, or tax payers, and these bankers.

To put in circulation the three hundred millions of dollars of currency will require the deposit of three hundred and thirty-three millions, three hundred and thirty-three thousand, three hundred and thirty-three dollars of Government stocks; upon which these bankers will draw nine per cent. in the money of trade, (their own notes,) and a like rate on two hundred and twenty-five millions of dollars, being three-fourths of their circulating notes, one-fourth being held in lawful money as a reserve to redeem their circulation. Besides this, they will have the use of the Government deposits of sixty millions, worth to them at least five per cent. per annum. Out of this they have to pay only one per cent. per annum on the amount of their circulation, to reimburse the national treasury

for printing their circulating notes, and all other expenses incurred under the law, and in lieu of all taxes on the bonds deposited and on their circulation. Recapitulation:

Interest on \$333,333,333 $\frac{1}{2}$ at 9 per cent.,	\$30,000,000
“ 225,000,000 at 9 per cent.,	20,250,000
“ 60,000,000 Gov. depos., at 5 per ct.,	3,000,000

Total,	\$53,250,000
Less one per cent. tax on circulation	3,000,000

Net annual gain, clear of all taxes,	\$50,250,000
Equal to fifteen per cent.	

To get the result when the banks use as their reserve the five per cent. legal tenders, we have only to add five per cent. on seventy-five millions of dollars (being the amount of their reserve,) to the net income as shown above.

Net income as above,	\$50,250,000
Five per cent. on \$75,000,000,	3,750,000

Net annual profit, \$54,000,000
Equal to 16 20-100 per cent. clear of all taxes, which is an annual contribution laid upon the industrial classes for the sole benefit of these banks, and for the payment of which they receive no equivalent whatever. If this was the extent of the wrong—if it stopped here—it would be a light matter indeed, and might be cheerfully borne. But it is only a small installment on the amount that will be required to meet the demands of the bankers, usurers and stock gamblers, when they combine their powers to promote their mutual interests. Let us look at the result when this combination is formed; and to suppose that it will not be entered into, is to ignore all past experience.

The national wealth, as per census of 1860, was sixteen billions of dollars, one-half of which we have assumed was owned by five per cent. of the population who loaned their money on interest or rented their property to the industrial classes; and the rate per cent. on money determines the rent of all property. We have also assumed that the average annual increase of the national wealth was equal to three per cent., and estimated the rate of interest at nine per cent. per annum. Taking this then as the basis of the calculation, the account between the wealth-producing classes, or tax payers, and the bankers and usurers, or tax-consumers, will stand as follows,

Money's share, \$8,000,000,000, at 9 per cent.,	\$720,000,000
National wealth, \$16,000,000,000, at 3 per cent.,	480,000,000

Excess paid capital over increase of nat'l wealth, \$240,000,000

With the average rate of interest on money at seven per cent., the result will be as follows: Seven per cent on eight billions of dollars is five hundred and sixty millions of dollars, while the whole increase on the national wealth will be but four hundred and eighty millions of dollars, showing money's share to be eighty millions in excess of the entire increase of the national wealth. And even at six per cent., money will gather up and appropriate to its owners all the surplus products of labor, and compel the laborers, as a whole, to toil for a mere subsistence of food, clothing and shelter, while justice requires that the laborers should retain the larger portion of their products.

6th. It is founded on the feudal or aristocratic idea of money, taking from the many the products of their labor and talents, and giving them to the few bankers and usurers without compensation, thereby practically defeating one of the main designs of the founders of the Republic—which was to establish a government that would give to each citizen the highest political and religious liberty, and secure to each the products of his own labor and talents—and reducing the laborers to a state of vassalage or slavery; for any system which enables one class of men to appropriate the fruits of the labor and talents of another class to their own use, without compensation, is practical slavery, no matter by what name it is called. For when you deprive a man of his right to the enjoyment of the fruits of his labor and talents, there is no other right which he can long maintain. The continual and pressing wants of his physical nature will sooner or later reduce him to abject slavery; and what is true of the individual is true of the nation.

7th. While it will not and cannot furnish the people with as good a currency as legal tender treasury notes, it will compel the Government to purchase coin from the bankers and usurers at exorbitant premiums, or to borrow it abroad at extravagant rates of interest, to pay the interest on the national debt. For the payment of this the soldiers and wealth-producing classes will have to be burdended with taxes, while they never received or asked for anything better than *Greenbacks*, and to-day they infinitely prefer them to the guilded frauds of any shoddy banking system. The people are asking for bread, and the Government, at the dictation of the bankers and usurers, are determined that they shall receive a stone.

Under this system, the bankers and their allies can so increase the premium on coin as to prohibit the importation of all foreign manufactures, and to regulate the prices of all agricultural products. If the direct object of the law had been to subject the agricultural interest of the nation to the control of the bankers and usurers, I cannot see how it could have been more effectually accomplished than it is by the law as it

stands. And with the agricultural interest, which is the foundation of the national wealth, under their control, they will soon find the means to regulate the price of labor in our manufactories and all other branches of industry to suit their own selfish purposes. I feel warranted in saying, in behalf of the agriculturists, (of the great North-West at least,) that with very few exceptions they favor a protective tariff, so far as the same may be necessary for the protection of **LABOR** in the development of the national resources; but they are with equal unanimity hostile to a tariff for the protection of a few bankers and usurers and overgrown monopolies which are opposed alike to the interests of labor, whether employed in agriculture, mining or manufacturing, and they will cheerfully join with the laborers in every department of industry for the purpose of checking the aggressions of the bankers and usurers on the rights of labor. The only practicable way of accomplishing this most desirable object is, by taking from the Shylocks the control of the currency, establishing a true monetary system, and instituting money on the principle of justice and common sense, and reducing the interest on capital to a just rate. This is perfectly feasible, for the wealth-producing classes have the power to do it whenever they put forth a united effort, for in numbers they are as twenty to one.

9th. The sixty-fifth section reserves to Congress the right to alter, amend or repeal the law. The interest of the Government and people demands its immediate repeal, and the issuing of legal tender Treasury notes as the entire currency of the nation. Congress should act at once in the matter, for if they do not, the Shylocks will be claiming vested rights under the law, or they will steal through Congress in some omnibus bill, a law repealing this section. If Congress fails to act in the matter, it is the duty of the people to repeal both them and the law by filling their places with men who will recognize their rights, and who will act justly; and by refusing to accept one dollar of the gilded frauds, and insist upon **GREENBACKS**, which they have a right to demand for services and supplies rendered the Government.

The bankers and usurers (the real authors of this system,) know that it is a fraud upon the rights of the people, and, if properly understood by them, can never be carried into effect. Their only hope of success is by deceiving the people. For this purpose they propose to have written on the face of the circulating notes, in letters of gold, "*National Currency*," while the truth is, they have no more claim to this title than the bills of any State bank secured by United States Stocks. If they will place the truth on the face of their bills, it will be written in letters of *blood*,—**THE PRICE OF AMERICAN LIBERTY**; for a thorough investigation of this system cannot fail to convince any disinterested mind that the results of its

practical workings will be to build marble palaces for the bankers and usurers, to clothe them in purple and fine linen, and enable them to fare sumptuously in every way, while it will provide hovels for the wealth-producing classes, clothe them in rags, and condemn them to a life of privation and unremunerated toil.

The True American System of Finance.

The issue of Treasury Notes, without interest, made a legal tender for the payment of all public and private debts, in denominations to meet all the wants of the business interests, and convertible, at the option of the holder, into Government Stocks bearing three per cent. interest per annum, payable annually in lawful money of the United States. These stocks to be made re-convertible into legal tender Treasury Notes, at the option of the holder, at any time after one year from the date of the issue of said stocks.

There can be no difficulty in introducing this system, if we admit the capacity of the people for self-government.

Let Congress authorize the issue of legal tender Treasury notes, on the plan herein proposed, to the extent required for circulation, and likewise authorize the issue of three per cent. stocks, on the plan herein indicated, to any amount that may be necessary to meet the demands on the Treasury; also, to authorize the Treasury Department, in the discharge of the obligations of the Government, to pay out legal tender Treasury notes, or three per cent. stocks, at the election of the Government creditors.

Among the advantages claimed for this system are the following:

1st. *It is adapted to the genius of our free institutions.* By giving the soldiers who are defending, and the producers and distributors of the national wealth, who are furnishing the supplies to the Government, the right to choose between legal tender Treasury notes (legal money,) and interest-bearing bonds, in payment for services and supplies, the finances of the nation are brought under the direct control of the sovereign people, where it rightfully and necessarily belongs. For no government can be permanently maintained when the military power and national finances are not subject to the sovereignty of the nation. Under its operations the people will have the power to determine the amount of currency necessary to transact the business of the country, and in a great measure to regulate the interest on capital. So long as money can be employed in legitimate business to yield a greater income than three per cent. per annum, Treasury notes will be more acceptable than Government bonds; when this cannot be done, the Government bonds will be preferred. If at any

time the rate of interest on capital should rise much above three per cent., the bonds, being convertible into legal tender notes, the holders would of course make the exchange, which would, in effect, prevent the rate of interest from rising much above three per cent, in legitimate business transactions; and the currency or money of the nation being under the control of the producers and distributors of the national wealth, they will be enabled to prevent all violent expansions or contractions in its volume, and labor will be more justly rewarded, every branch of productive industry quickened, and permanent national and individual prosperity secured, without which we cannot develop our great natural resources and become self-sustaining and independent as a nation.

2nd. It will furnish a currency of uniform value throughout the whole nation, and being endowed by Congressional enactment with power to legally represent value, power to legally measure value and power to legally exchange value, will, with the power vested in the whole people to regulate the rate of interest, constitute it a just medium of distribution to capital and labor, and fit it in every way for the performance of all the functions of money. It will be purely national in its character; each individual will have a like interest in it, in proportion to the amount of his productions and business, and it will be more acceptable to the loyal wealth-producing classes than that furnished by any banking system the ingenuity of man can devise.

3rd. The economy of this system will enable the Government to do justice to the soldiers who are periling their lives in its defense, by properly compensating them for their arduous services, and to the widows and orphans of those who may fall in battle, by making suitable provisions for their future wants and comforts. Also to benefit the producers and distributors, who are furnishing the Government with all needful supplies, by liberally remunerating them for the products of their labor, and at the same time greatly diminishing the burdens of taxation on these classes. And it should be remembered that these are the real capitalists to whom the Government must look for support and supplies, and who will in the end have to bear mainly the burdens of future taxation, for the laws authorizing the national loans and establishing the system of national banks virtually exempts the bankers and usurers from the payment of taxes.

4th The Constitution of the United States expressly delegates to Congress power to coin money and regulate the value thereof, to fix the standard of weights and measures, and to regulate foreign and domestic commerce. Under these grants Congress has an undoubted right to exercise any or all of these powers, but it does not seem clear to the common mind that any authority is given to that body to delegate these

powers, or any of them, to any class of individuals or corporations. The States, or people, granted these powers to Congress for the public good, and not for the benefit of any privileged class of individuals or corporations. If the public interest could not be secured by the exercise of these powers by the States, it is difficult to see how it is to be promoted when they are exercised by a class of private corporations. Again, if Congress may rightfully delegate any one of these powers, then they may delegate all of them, and any others that are granted to that body by the Constitution. With the power to make, control and regulate the value of money, necessarily comes the power to regulate commerce. These are among the most important powers granted to Congress.

5th. Important as this system will be to the nation financially, it will prove infinitely more so in a political point of view. It will restore commercial relations between all parts of the Union, and interest every citizen pecuniarily in the preservation and perpetuity of the Government, thus making us a homogeneous nation. Man, in the very nature of his being, is so constituted that his wants and dependencies bind him to his fellow man. This commercial tie is therefore the strongest bond of union that can exist between the different portions of our extended domain.

6th. It is founded on the true democratic idea of money. It is emphatically the people's plan, requiring no aid from the bankers (mis-called capitalists,) to put it into operation. The simplicity of its workings, the justness of its bearings on all classes and interests, with its perfect adaptation to the genius of our free institutions, and the present and future wants of the Government and business interests of the nation, cannot fail to commend it to every intelligent disinterested mind. Congress may, without exercising any doubtful power, adopt such a financial policy, and provide such a circulating medium for the people, and it is imperative on them to do so.

The Government should rule over money instead of allowing money to rule over the Government. To do this, it must furnish a supply adequate to the wants of production and commerce, and regulate a just rate per cent. interest. This, we claim, the adoption of the True American System of Finance, or People's Plan, here presented, will do.

Let us now compare the results of the workings of the two systems.

We have assumed the national debt will be two billions of dollars by the first of January, 1865, and that the principal would not be reduced below this amount within the next fifty years. For the purpose of comparison, we will now assume that, under the True American System of Finance, as much as six hundred millions of dollars of Treasury notes will circulate as currency, and bear no interest. Certainly no one

will claim that this is too high an estimate, when all bank notes are driven out of circulation, which will be done as soon as enough notes are issued to meet the wants of the business interests, for all prefer Greenbacks to bank notes. This will leave one billion four hundred millions of dollars of the national debt bearing an interest of three per cent. per annum. Under the bankers' and usurers' scheme, the whole amount of the debt will draw interest, at nine per cent., in the money of trade, for if their scheme is permanently established, they will be enabled to monopolize the currency and maintain the premium on coin sufficiently high to make the interest on the Government securities equal to nine per cent. at least.

By bankers' scheme, \$2,000,000,000 at 9 per ct.,	\$180,000,000
" True Am. Sys., \$1,400,000,000, at 3 per ct.,	42,000,000

Net annual saving to tax payers,	\$138,000,000
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Result with the interest reckoned at seven per cent:

By bankers' scheme, \$2,000,000,000 at 7 per ct.,	\$140,000,000
" True Am. Sys., \$1,400,000,000 at 3 per ct.,	42,000,000

Annual bonus to bankers and usurers,	\$98,000,000
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Thus it will be seen that, with interest computed at nine per cent., the bankers' and usurers' scheme will cost the wealth-producing classes or tax payers, annually, over four times the amount required by the True American System, or People's Plan, and nearly three and a-half times as much with interest reckoned at seven per cent. The result, at the end of fifty years, will be as follows:

\$2,000,000,000 at 9 per cent.,	\$148,851,000,000
1,400,000,000 at 3 per cent.,	\$6,163,834,830
Add to redeem Treas'y notes	
at the end of that time,	600,000,000 \$6,763,834,830

Bonus to bankers and usurers,	\$142,087,165,170
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The cost to the wealth-producing classes by the True American System of Finance will be less than one-twenty-second part of the amount required by the bankers' scheme. Taking the national wealth at sixteen billion of dollars, and estimating the increase at three per cent. per annum, at the end of fifty years the amount will be \$70,215,255,200, or less than half the amount of the accumulation on the national debt at nine per cent.

We will present it in the most favorable light that even the bankers and their allies can claim, by taking the average rate of interest at seven per cent. They will draw fifteen per cent. on \$333,333,333 used for banking purposes, equal to fifty millions of dollars annually, and six per cent. on the remainder

of the two billion of dollars, \$1,666,666,666 $\frac{2}{3}$, equal to one hundred million of dollars; total annual interest, \$150,000,000, equal to 7 $\frac{1}{2}$ per cent. on two billion dollars. But we will calculate it at seven per cent.:

Two billion dollars at 7 per ct. for fifty years,	\$59,013,051,268
Amount by True Amer. Sys., including the redemption of the Treasury notes,	6,763,834,839

Net gain to the tax payers,	\$52,249,216,438
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The cost by the True American System will be only a fraction over one-ninth of that by the bankers' scheme.

Let us take a more extended view, and look at the effects of the two systems on the wealth-producing classes as a whole. The amount of the national wealth, as per census of 1860, was sixteen billions of dollars. We have assumed that one-half of this was owned by five per cent. of the population and that they loaned it on interest or rented their property to the wealth-producing classes at the same rate of interest paid on the Government securities, thus:

Eight billion dollars at nine per cent.,	\$720,000,000
Eight billion dollars at three per cent.,	240,000,000

Bonus to money by bankers's scheme over the True American System,	\$480,000,000
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Equal to the entire increase in the national wealth.

With interest calculated at seven per cent., the result will be as follows:

Eight billion dollars at seven per cent.,	\$560,000,000
Eight billion dollars at three per cent.,	240,000,000

Bonus to the bankers and usurers,	\$320,000,000
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Thus it will be seen that, with interest calculated at nine per cent., labor will be required to pay to capital fifty per cent. over the entire increase in the national wealth, and with the interest at seven per cent., to pay eighty millions of dollars annually over the increase of the wealth of the nation. While money is constituted with such overwhelming power, it is no wonder that most of the agriculturists are forced to deprive themselves and families of the most common luxuries, or that the laborers in all departments of industry are compelled to toil for a mere subsistence of food and clothing, and this of the poorest kind in many cases, or that squalid poverty so much abounds in our large cities.

Notwithstanding the great benefits this system would confer on the soldiers and wealth producing classes and the Government, the *patriotic* bankers and usurers and their allies, the professional politicians and sensation newspapers, will offer a

united and determined opposition to its adoption. They know that to establish a just monetary system will take from them the means by which they have so long been enabled to defraud labor of its just rewards, and that their occupation will be gone. I now propose to notice, very briefly, a few of their objections.

1st. They will argue, that if this system is adopted, money will become so plenty that it will be valueless. This argument has no foundation in fact, for the money issued under it, being convertible into Government stocks, will have a permanent and uniform value. This the bank promises never had and never will have under any banking system. Besides, the proposed system does not contemplate the discounting of individual notes or loaning money on any kind of securities by the Government, it only authorizes the paying of it out for services rendered or supplies furnished to the Government, so that before the individual can get the money, he must furnish the Government an equivalent in something of real value, it cannot therefore make money more abundant than it should be, for if there is a necessity for a dollar to represent A.'s dollar's worth of production, there exists an equal necessity for a dollar to represent the like amount of production by B., and so of all the productions of the nation.

2nd. They will argue that to lower the rate of interest on money will raise the price of all the products of labor, and consequently will be oppressive to labor. This argument is equally groundless; for, if the products of labor are high, labor will be high also. Keeping down prices by raising the rate of interest on money, is simply robbing labor for the benefit of capital. I have elsewhere shown that there are but two purposes to which the products of labor can be applied. One is to the payment of rent or interest on capital, and the other to the payment of labor. As you raise the rate of interest on money, you increase the gains of the capitalist and decrease the value of labor.

3rd. They will argue, that, however beneficial the results of this system might be, the change cannot be made. That since money never has been instituted on a just principle, it never can be. This is the argument used by kings and despots to prove that they have a divine right to rule, and that a democratic or republican government is a trespass against divine authority, and never will be permitted to stand except for a brief period of time. It has just as much force and reason in the former case as in the latter.

The Common Sense way of Providing for the Wants of the Soldiers, and doing Justice to Labor.

Government is instituted for protection of life and property; both should therefore share alike in the sacrifices necessary for its maintenance and perpetuity. It is an indispensable prerogative of sovereignty to command the life and property of the subject when necessary for the preservation of the Government, for no government can be permanently maintained where the military power and national finances are not controlled by the sovereignty. In our Government the supreme power is vested in the people. It is their right to direct and control its operations in the way and manner that to them may seem best. Therefore, no one worthy of the privileges and rights of a freeman will withhold the means necessary for its preservation, whether in life or property.

We are in the midst of a gigantic rebellion threatening our very existence as a nation, and which must be suppressed at whatever sacrifice of life and property may be required. The sacrifice of valuable lives has already been fearfully large, and the cost in treasure is only counted by thousands of millions of dollars, and still the call comes for more men and more means, and the emergency demands a prompt response to that call. For the establishment of this (the government of the people,) our fathers pledged their lives, their fortunes and their sacred honor. We are now called upon to renew these solemn pledges for its preservation and perpetuity, and every freeman says in his inmost heart it shall be done. But while there is almost a universal desire and determination that it shall be done, there is a division of opinion as to the best manner and means of accomplishing the object. The war has proved of greater magnitude than many, at least of our more sanguine citizens, believed it would reach when it commenced; but, notwithstanding the unprecedented extent of the demand for men and means, the nation has been able to meet them out of its own resources, and to-day it is stronger than when the rebellion first commenced. Both the magnitude and duration of the war have tended to change its character. Had it been but an ordinary rebellion which could have been subdued in a few months, its effects on the nation would have been only temporary, but as matters have turned out these effects are to be felt for half a century at least. Let us then calm our passions and lay aside our pre-conceived opinions and prejudices on questions of military and financial policies, and take a calm, intelligent and comprehensive view of our present circumstances and future wants, and then adopt the policy dictated by justice and common sense for our future guidance, and all will be well.

The wants of the Government are, men, food, clothing; the

arms and munitions of war, and the means of transportation. The want of the producers and distributors of the national wealth, to whom the Government must look for supplies, is a sound reliable currency that will be a correct medium of distribution to capital and labor. The Government has exercised its sovereign power in filling the ranks of the army and, in some instances, for procuring supplies, but it has been a suppliant at the shrine of an unjustly constituted money power, for the bankers and usurers have dictated the financial policy of the nation, and regulated it to suit their own selfish ends, without regard to the interests of the Government and people.

When the rebellion commenced, money was only worth from four to five per cent., in our commercial centres, on first class securities. The first demand made on the Government was seven and three-tenths per cent., and even at this extravagant and unjust rate, the bankers coupled the condition that the Government should issue its own notes to a very limited extent, (fifty millions demand notes,) by which the bankers still retained the monopoly of the currency, and when it became imperative for the Government to make a farther issue of its own notes to meet the demands on the Treasury, they opposed the measure at every step with all their power, and by their operations in gold in Wall Street, their subtle arguments, and other powerful influences and appliances at Washington, they succeeded in moulding the national legislation to suit their views and interests. They yielded only so far as to allow the issue of Treasury notes to pay for the services of the soldiers and for supplies, but retained the control of the currency, and succeeded in securing the issue of Government bonds, bearing bankrupt rates of interest, and that payable in coin. The rates of interest authorized on the Government securities are six per cent. and seven and three-tenths per cent. per annum, payable semi-annually in coin, which, with gold at fifty per cent. premium, is equal to nine per cent. on the former, and eleven per cent. on the latter, in the money of trade (Greenbacks,) in which the soldiers and producers are paid for their services and supplies, and which is all that any truly loyal man wants. It was therefore an act of gross injustice to make the interest on the Government securities payable in coin, by which the mere drones of society will be enabled to rob the wealth-producing classes who, with the soldiers, are the real supporters of the Government, of their just rewards. The present financial policy of the Government is a fraud on the rights of the people—a cunningly devised scheme to rob the industrial classes for the benefit of a few bankers and usurers. Let us look at its effects.

We have said that when the rebellion commenced money was only worth from four to five per cent., in the commercial centres, on first class securities, it is now worth from nine to

eleven per cent. on Government stocks, which ought to be first class security in the estimation of every loyal man in the nation. For the purpose of presenting the practical workings of this system, we will assume the average rate of interest on money, in large loans, to have been four and a-half per cent. at the commencement of the rebellion, and the interest on the Government securities to be now equal to nine per cent., and that the bankers and usurers are enabled to loan the interest, when earned and paid, at the same advanced rate: \$1,000 at $4\frac{1}{2}$ per cent. will earn \$45 per annum, this loaned at $4\frac{1}{2}$ per cent. will earn \$2.02 $\frac{1}{2}$ per annum, while \$1,000 loaned at 9 per cent. will earn \$90 per annum, and this loaned at 9 per cent. will earn \$8.10, which is four times the amount of \$45 at $4\frac{1}{2}$ per cent. To these facts the usurers cannot object, for with the extension of the time the ratio of increase becomes greater. For instance: \$1,000 at 3 per cent. for fifty years will earn \$3,388, and \$1,000 at 6 per cent. for the same time will earn \$17,600, and at 9 per cent. the amount will be \$73,425. Thus the accumulation of interest at 9 per cent. will be over four times as much as at 6 per cent., and over twenty-one times as much as at 3 per cent., and over four times as much at 6 per cent. as at 3 per cent., for fifty years.

Thus it will be seen that money has not only been exempt from the sacrifices that labor and human life have been subjected to, but, on the contrary, its value, and consequently its power over property and labor, has been increased four fold by the rebellion; and this too without rendering the Government or people any service whatever. If there had not been a bank note or a gold dollar in the nation, at the commencement of the war, we should have got along infinitely better in a financial point of view than we have. Gold and its worshipers have waged a continual war against the interests of the Government and people, during all our troubles, and it is of no more use to us to-day than if every ounce of it was still in the California mines. As for bank notes, they have been and are, a fraud upon the rights of labor, no matter under what authority they are issued, whether State or National, their character is the same, and every truly loyal man in the nation prefers the plighted faith of the nation, in the shape of a legal tender Treasury note. This is the only money that has been truly loyal, and to it we are entirely indebted for our successes. The soldiers and producers have always been willing to accept it for their services and supplies, and these are the classes that have defended and sustained the Government, and upon whom the future hopes of the Republic depend. It is then the duty of the Government to protect the rights of these its real supporters rather than become an instrument in the hands of a few bankers and usurers for their oppression and degradation.

The great mass of the loyal people are willing and anxious that the wants of the soldiers and their families should be suitably provided for, and for this purpose they are contributing freely. But the present effort is only temporary—with the close of the war it will end. True, some steps are being taken to provide for the education of the orphans of soldiers, but no individual effort can be commensurate with the wants of this class. It is the duty of the Government not only to provide for their present, but for their future wants, by paying them a just compensation for their services, and by giving a liberal pension to the families of those who may fall in battle. Neither the soldier nor his family should be left to the cold charities of the world. The means of present supply for himself and family and of future support for his family, in case he should fall in battle, should be guaranteed under the broad seal of the nation. The Government should rule righteously, doing justice to all classes and interests; it should secure to the soldiers and producers and distributors what is justly due to them, and withhold nothing from the bankers to which they are entitled.

The present pay of a soldier in the ranks is thirteen dollars per month, with a bounty from the Government averaging about three dollars per month, making a total of sixteen dollars per month, and in case of his death in the service his family draws a pension of eight dollars per month. No fair minded man will claim that the monthly pay of the soldier is a fair compensation for his arduous duties and services, and the perils and dangers to which he is necessarily exposed, or that the pension of eight dollars a month is not wholly insufficient to meet the wants of a family. There are thousands of good men prevented from entering the army by the claims of a dependent family. Let the Government remove this objection by properly compensating the soldiers for their services, and by making ample provisions for the future wants of the widows and orphans of those who may fall in battle, and by doing justice to the wealth-producing classes who are furnishing it with all needful supplies, by establishing a just financial policy and a true monetary system that shall be a correct medium of distribution to capital and labor. Then the ranks of our army will soon fill up, and the people will cheerfully furnish all necessary supplies. New life and energy will be infused into the whole nation, and the war ended in a very brief period, and with the return of peace will come national and individual prosperity. This duty becomes the more imperative on the Government if it can be shown that this can be done and at the same time the burdens of future taxation on the wealth-producing classes greatly diminished. I have shown that the value of money has been increased at least four-fold by the rebellion, while the soldiers' pay has remained unchanged, and

until very recently the compensation of labor, in most departments of industry, has not been increased. Simple justice requires that matters should be reversed, and that the pay of the soldier in the ranks should be increased four-fold, or to sixty-four dollars per month, and the pay of the non-commissioned officers increased in the same ratio, and the pay of commissioned officers raised sixty per cent. and pensions fixed at four hundred dollars per annum. This should not only be given to those who may hereafter enlist, but to all who have been in the service since the commencement of the rebellion, for the whole time of service. It would be an act of gross injustice to pay it to those who may hereafter enter the service, and withhold it from those who have borne the burden and heat of the conflict. Each soldier should be charged with all bounties he may have received from any source whatever; this will place all on exact equality. If you mean to provide for the wants of the soldier and his family, this is the common sense, business-like way of doing it. This saying, be ye fed and clothed, while you do nothing to relieve their necessities, is but adding insult to wrong.

From what has been said of the accumulative power of interest on money, I think it will be admitted that three per cent. is as high a rate as can be maintained on loans without doing injustice to the wealth-producing classes, or *labor*, and that with money properly instituted, there exists no necessity for the payment of a higher rate.

I now propose to show that by substituting the True American System of Finance for the bankers' and usurers' scheme, the Government will be enabled to pay the soldiers the wages that we claim are justly due to them, and to give to the widows and orphans of those whose lives may be sacrificed for the preservation of the Government a pension that will at least secure them against want, and which shall not be a disgrace to the nation, as the one at present given certainly is.

In order to meet the objections of cavilers who claim that this system of finance will raise the price of Government supplies, we will double the cost of all the supplies yet to be furnished and other expenditures of the Government yet to be made, and then show that the cost to the tax payers by the True American System of Finance will be but a fraction over one-tenth of the amount required by the bankers' scheme.

Having assumed that the cost of the war, conducted under the national financial policy now in operation, or about to be inaugurated, will be two billions of dollars, and that the principal of the debt will not fall below that amount within the next fifty years, and that the bankers and usurers, having the power to regulate the rate of interest on the Government bonds, will maintain the rate at least as high as nine per cent. in the money of trade, which will be their own notes mainly,

we will now, for the purpose of comparison, assume that a force equal to one million of men for three years in the army and navy, will be required for the suppression of the rebellion, and the payment on account of pensions to equal one hundred and fifty thousand full pensions annually, and estimate that two-thirds of the Government supplies have already been furnished,—the relative cost of the two systems will be as follows :

By bankers' and usurers' scheme.

Pay of one million of men for three years at	
\$16 per month, including bounty,	\$576,000,000
Add 25 per cent. extra pay to com'd officers,	144,000,000

Total pay to officers and men,	\$720,000,000
Leaving for Gov. expenditures and supplies,	1,280,000,000

Total,	\$2,000,000,000
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Annual cost to tax payers,	
\$2,000,000,000 at 9 per cent.,	\$180,000,000
150,000 pensions at \$96 per annum,	14,400,000

Total yearly cost,	\$194,400,000
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Result at the end of fifty years with interest at 9 per cent.

\$2,000,000,000 at 9 per cent. for fifty years,	\$148,851,000,000
150,000 pensions with interest at 9 per ct.	11,748,080,000

Total for interest and pensions,	\$160,599,080,000
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Result at the end of fifty years, with interest at 8 per cent.

\$2,000,000,000 at 8 per cent. for fifty years,	\$93,843,505,152
150,000 pensions with interest at 8 per cent.,	8,265,915,463

Total for interest and pensions,	\$102,109,420,615
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Result with interest computed at 7 per ct. for fifty years :

\$2,000,000,000 at 7 per cent.,	\$59,013,051,268
150,000 pensions with interest at 7 per cent.,	5,771,627,727

Total for interest and pensions,	\$64,784,678,995
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The whole amount paid to the soldiers for services and pensions, and to the wealth-producing classes for supplies and other labor, under the bankers' and usurers' scheme, will be as follows :

Paid soldiers for services,	\$720,000,000
Paid soldiers for pensions,	720,000,000

Total pay to soldiers,	\$1,440,000,000
Paid to industrial classes for supplies, etc.,	1,280,000,000

Total for services, supplies and pensions,	\$2,720,000,000
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The amount that the wealth-producing classes will have to pay to money for accumulations by interest on this sum of two billions, seven hundred and twenty millions of dollars, at the respective rates of interest for fifty years, will be as follows:

With interest reckoned at nine per cent.,	\$157,878,820,000
“ “ “ eight “	99,389,420,615
“ “ “ seven “	62,064,678,995

I have presented the result at these several rates of interest for the benefit of those who may place a higher estimate on the patriotism and generosity of the Shylocks than I do, and not with the idea that they will be of any practical use in the future. I have elsewhere shown that, under the bankers' and usurers' scheme, the sharks will have the power to regulate the rate of interest on the Government bonds and in business transactions, independent of the Government and people. Gold is now at a premium of fifty per cent., which makes the interest on Government securities equal to nine per cent. in the money of trade, and to suppose that they will permit it to fall to a lower rate when their power over currency is increased, (as it will be when they get their big shoddy banking system, mis-named National, in operation,) would be to reject all the teachings of past experience. I shall not therefore consume time nor uselessly occupy the attention of the reader with calculations at lower rates of interest than nine per cent., as it will more likely rise above that figure than fall below it.

By the True American System of Finance:

Pay of one million of men for three years at \$64 per month,	\$2,304,000,000
Add ten per ct. extra pay to com'd officers,	230,400,000
Total pay to men in army and navy,	\$2,534,400,000
Two-thirds of supplies, etc., already made,	853,333,333
One-third of supplies, etc., yet to be made, the cost of which we have doubled,	853,333,333
Total for supplies, etc.,	\$4,241,066,666
Deduct Treas. notes issued without interest.	600,000,000
Leaving, to bear interest at 3 per cent.,	\$3,641,066,666
The annual cost to the tax payers:	
Interest on \$3,641,066,666 at 3 per cent.,	\$109,232,000
150,000 at four hundred dollars each,	60,000,000
Total annual cost,	\$169,232,000
Result at the end of fifty years:	
\$3,641,066,666 at 3 per cent. for fifty years,	\$15,978,651,575
150,000 of \$400 each, with 3 per ct., 50 “	6,776,907,900
To redeem Treas. notes at end of fifty “	600,000,000
Total at the end of fifty years,	\$23,355,559,475

The amount paid soldiers and wealth-producing classes in the first instance, will be as follows :

Paid for services of men in army and navy,	\$2,534,400,000
" 150,000 pensions annually for fifty years.	3,000,000,000
" for supplies, labor, etc.,	1,708,666,666
Total for services, pensions, supplies, etc.,	<u>\$7,241,066,666</u>
Total cost by True American System, for	
50 years, including accumulated interest,	\$23,355,559,475
Deduct above am't paid for services, etc.,	<u>7,241,066,666</u>

Accumulations by interest, or money's share at the end of fifty years,	\$16,114,501,809
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Thus it will be seen that, if the bankers' scheme should become the permanent financial policy of the Government, the soldiers and their families will receive for services and pensions only \$1,440,000,000, while, if the True American System of Finance be substituted, they will receive for services and pensions, \$5,534,400,000; or nearly four times as much as under the former system. Under the former policy, the producers and distributors will receive, for supplies and other labor, \$1,280,000,000, while, under the latter they will receive \$1,708,666,666. Total receipts of soldiers for services and pensions, and by the wealth-producing classes for supplies, etc., under the bankers' scheme, \$2,720,000,000. Under the operations of the True American System, these classes will receive for services and supplies \$7,241,066,666; the accumulations by interest on which sum, for fifty years, at 3 per cent. per annum, will be only \$16,114,501,809, while, by the bankers' scheme, the accumulations by interest on \$2,720,000,000 for the same time, will amount to the enormous sum of \$157,878,820,000, being nearly ten times (9-80) as much as the accumulations on \$7,241,066,666, under the True American System for same time. If we take into account the larger amount received in the first instance by the soldiers and industrial classes, and the smaller amount required to be paid to capital in the end, the accumulation by interest, under the True American System, will be found to be less than four cents (3-84) on the dollar of the amount that will accrue under the bankers' and usurers' scheme. When we add to this the gain that will inure to the industrial classes, by the reduction of the rate of interest on money in all business transactions, under the True American System, the benefits will far surpass the burdens of taxation imposed on them by the national debt. But the bankers and their allies will oppose this, or any other measure, having for its object the benefiting of the soldiers and wealth-producing classes. I propose to notice a few of the arguments, the professional politicians and sensation newspapers in their interest make use of for them :

1st. They will endeavor to frighten the loyal and patriotic people with the threat, that they will withdraw their support from the Government if an attempt is made to establish a just financial system and a correct medium of distribution to capital and labor. The soldiers, and all other loyal men, have just as much to fear from the execution of this threat as the slaves in the south would have from a similar one made by their masters—that if they did not remain quiet under the lash, they (the masters,) would run away and leave to the slaves all the property they had made by their labor.

2nd. Another of their favorite arguments is, that the soldiers and producers will not take Treasury notes and Government bonds issued under the True American System of Finance. This was one of their arguments against the issue of Treasury notes in the first instance. It was false then, and is so now. There is not a soldier, or any other disinterested loyal man, in the nation who would not prefer legal tenders or Government stocks, issued under the proposed system, to bank notes issued under any banking system we have had, or under the proposed shoddy system miscalled national.

3rd. Another favorite argument with them is, that it would be absurd to pay common laborers the wages we propose to give the soldiers, who, they say, compose mainly the rank and file of the army. I fail to see the force of this argument,—for what the Government wants is good soldiers, and I think common laborers would be as likely to make good soldiers as bankers, usurers and professional politicians, or as any other pensioners on the public bounty. Under the system we propose, the entire annual cost of the soldier to the Government would be as follows:

Pay sixty-four dollars per month,	\$768.00
Clothing,	42.00
Three hundred and sixty-five rations at 30cts. each,	109.50

Total annual cost,	\$919.50
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I think it will be admitted that there is nothing extravagant or unreasonable in the pay we propose to give the soldiers, when we consider that it is below the average pay of common clerks in the employ of the Government, who do not work on an average over six hours a day. The duties of the soldier are certainly as arduous and their services as important to the Government as that of these clerks, and I see no good reason why they should not have as much pay; besides, we know many in the ranks of our army who are as well qualified for the discharge of the duties of these clerks as any in the employ of the Government, and who, in point of intelligence, integrity and all that constitutes *true manhood*, are the *peers* of our representatives in our national councils.

4th. They argue that it is unnecessary for the Government

to make farther provisions for the soldiers and their families; that the patriotic people will provide for their wants, which, at best, means no more than that the good people will furnish them with cold victuals and old clothes.

5th. Their main argument however, is, that to compensate the soldier justly for his services, and to make proper provisions for the widows and orphans of those whose lives may be sacrificed on the altar of their country, will bankrupt the Government. It will, we think, require a great amount of financial acumen and political jugglery to make it clear to the people how they are to be bankrupted by the financial system we propose any more than they would be by the bankers' and usurers' scheme.

The ability of the Government to pay the cost of the war is not involved in the discussion of this subject. That question has already been settled beyond all contingency. The nation has so far provided, and can in the future provide, all the means, both in men and supplies, necessary for the prosecution of the war, until the rebellion is entirely suppressed.

The only question presented on this point for our consideration is, the equitable distribution in the disbursement of the public money, and of the future burdens of the war among ourselves, and the establishing of a true monetary system for the just reward of labor in the future. If we are only successful in attaining these ends, we will soon recover from the financial effects of the war, and enter upon a career of national and individual prosperity heretofore unknown to us as a nation. But if, in our legislation, we fail to recognize, or if we disregard the rights of labor, and permit the bankers and usurers to control the financial policy of the Government to promote their own interests, labor, whether employed in the army or any other department of useful industry, will be degraded, poverty and crime increased, and the wealth-producing classes reduced to a state of vassalage or slavery.

Reader, the issue is made up, you must take one side or the other of the question. *There can be no neutrality.* If you believe that one-tenth of the population, and these strictly non-producers, should control the monied interest of the nation, dictate the policy of the Government and fix the rewards of labor, whether employed in the army, on the farm, in the mine, or any other department of industry—that the soldiers and wealth-producers have no rights which the bankers and usurers are bound to respect—that the products of the labor of nine-tenths of the population should be given to the other tenth, without compensation—you should exert your influence in favor of the bankers' scheme, and refuse to accept Greenbacks for services and supplies rendered the Government, and insist upon faithless bank promises in payment; or, what is tantamount to working for their scheme, remain idle and passive, and they will complete your degradation, and rivet the chains of slavery upon you and your posterity.

On the other hand, if you believe that the soldiers and wealth-producers have the intelligence and virtue necessary for self-government—that they have rights which should be protected, and which the bankers and their allies should be taught to respect, you should exert your utmost influence to secure the adoption of a true monetary system that will justly reward labor; you should peremptorily refuse all bank promises, no matter what specious title they may bear, and accept nothing but Greenbacks for your services in the army, and for the products of your labor, in any department of industry. The Government has no more right to force you to take faithless bank promises for services and supplies, or tax you for the benefit of the bankers and usurers, so long as you are willing to receive the plighted faith of the nation in the shape of legal tender Treasury notes, (Greenbacks,) than it has to compel you to pay the thief, who has stolen your horse an exorbitant price for your own property.

The motto of every true man should be, the last man and the last dollar for the suppression of the rebellion and the perpetuity of the Government, but not one farthing of tribute to the bankers and Shylocks; no compromise with oppression and fraud, no matter from whence they come. Speak out, soldiers, producers, distributors and loyal newspapers, let our law makers and government officials know where you stand upon this important question. Every dollar of bank currency put in circulation necessarily takes the place of a like amount of greenbacks, and increases the national tax to pay interest on the Government bonds, taking from the soldiers and their families, widows and orphans, what is justly due them, and giving it to the bankers and Shylocks without consideration, and is therefore a fraud on the rights of the people. Reader, are you in favor of paying the bankers and usurers one hundred dollars, without consideration, rather than pay the soldiers and industrial classes, who are the real defenders of the Government, ten dollars and twenty cents for full value received?

We ask the bankers and their allies, the professional politicians and sensation newspapers, to show one single advantage that is to be conferred upon the Government and people by their shoddy banking system, (mis-called National,) for the adoption of which you say, an imperative necessity existed. Let the people know what that necessity was. Did the soldiers or wealth-producers ever refuse to accept greenbacks, or did they ever ask for the adoption of your banking system? The people want to be enlightened upon this subject, and you should inform them. But you dare not attempt this; your fraudulent scheme will not bear the light.

In the foregoing pages the following propositions have been considered and, we believe, fully sustained:

1st That the value and powers of money are only legal,

and consequently independent of its material, and that the endowing of any convenient material, by congressional enactment, with the following powers, to wit: power to represent value, to measure value, to accumulate value by interest and to exchange value, will fit it for the performance of all the uses of money.

2nd. That the currency should be under the direct control of the sovereign people, and to be uniform in value must be limited only by the wants of production and commerce.

3rd. That the rate per cent. controls the value of money, and determines what proportion of products shall be awarded to capital and what to labor.

4th. That the present rates of interest on money greatly exceed the increase by natural production and consequently cannot be maintained without impoverishing the wealth-producing classes, and rapidly centralizing the property of the nation into our large cities, and into the hands of the few bankers and usurers.

5th. That the proposed shoddy banking system, mis-named National, is founded on a wrong principle, that it will not free the people from the evils of the old system, but will, in many instances, greatly increase them; that it is a cunningly devised scheme to defraud the soldiers and wealth-producing classes out of their just rewards for the benefit of the few bankers and usurers.

6th. That the monetary system we present is founded on the principle of justice and common sense, and will place the monied interest of the nation under the direct control of the sovereign people, where it rightfully and necessarily belongs; that by its adoption the Government will be enabled to make suitable provision for the present and future wants of the soldiers and their families, justly reward labor, and at the same time greatly diminish the burdens of taxation.

CONCLUSION.

We have discussed the rights of capital and labor for no other purpose than that of convincing the public that the high rates of interest on money, favored by our present unjust monetary laws, whilst stimulating the enterprise of the very few, and certainly securing to them great wealth, *represses* the enterprise of the great mass of the people, by depriving them of the just reward of their labor, and tends to the increase of pauperism and crime, and the inevitable overthrow of the Government. And that justice to labor, while it will secure individual comfort and happiness to all who are able and willing to work, will rapidly develop our natural resources and greatly increase the national wealth.



It has been shown that labor constitutes the real wealth of a nation, and without claiming for it any thing more than its natural *rights*, we insist that *these* should be guarded by the most jealous care of the Government.

The rights of property can only be protected by general laws. It is utterly impracticable for the Government to have a supervision over the individual agreements and business transactions in the nation. All it can or ought to do, in this important matter is, to make such general laws for the government of property as will naturally tend to effect its equitable distribution. A careful examination of our monetary system will convince any candid mind that our present laws of distribution are continually doing a great wrong to the people, and that under their operation labor is not and cannot be properly rewarded. A change is indispensable, and the present necessities of the Government afford a favorable opportunity for effecting this most desirable reform. It is now for the American people, whose government is founded on the principles of equality and freedom, to establish the rights of labor, which in the past have been disregarded, except as they ministered to the extravagance and luxury of a privileged class.

We believe that the adoption of the monetary system here proposed will prove an effectual remedy for these great evils; that it will as certainly reward labor as the one now in force has oppressed it. But the question arises, how and by what means can its adoption be secured?

Those directly interested in the adoption of a true monetary system are:—all christians, philanthropists, agriculturalists, manufacturers, mechanics, laborers; in a word, all who wish to earn a support by honest industry. But above all others, our soldiers who are enduring the privation and trials of camp life, and periling their lives on the battle field in defense of our free institutions. They are learning by painful experience the value of freedom and justice. The establishing of a just medium of distribution to capital and labor will secure to at least nine-tenths of our population the pecuniary benefits which are justly due them, and the remaining tenth will be left in the undisturbed possession of their present wealth, and, like their fellow citizens, at liberty to increase it by any useful employment. It might naturally be thought that none would oppose a system so beneficent in its results, but the sway which selfishness and avarice holds over the minds and hearts of men who worship at the shrine of mammon, will lead them to offer a determined resistance to the adoption of this or any other system, having for its object the just reward of labor. And, though their numbers are comparatively small, let not the friends of justice flatter themselves with the hope of an easy victory. The bankers and usurers have so long controlled the currency and monied interests of the nation, and through these

means the financial and general policy of the Government, that, like all other despots, they have come to claim it as a divine right, and be assured they will not relinquish this power without a determined struggle. They are thoroughly disciplined and organized for the conflict, and will be unscrupulous in the use of all the means at their command. The *almighty dollar* is the power they mainly rely upon. I have elsewhere shown the enormous amount of this motive power of which they have defrauded labor, and which they will use to retain their power over the Government and people. They know that public opinion is next to omnipotent, and through the medium of the public press they manufacture and control it to suit their own purposes. Many of our leading journals, particularly those of the sensation order, are established and conducted by them for this express purpose, and many others lend their influence to aid them in the consummation of the basest transactions for the sake of a little filthy lucre. Through these means they have been enabled to elect to our State and National Legislature, and elevate to other positions of high trust, mere professional politicians, who are as much in their interest and under their control as if they were employed by them in a direct business capacity. If they fail to secure a controlling influence in this way, they will threaten the weak and timid with the power of the press, and many who are naturally disposed to do right are in this way driven to support their corrupt measures, and if there is still a deficiency, they have the thirty pieces of silver to make it up. By these means they have controlled legislation, State and National, not only regardless of the interests of the wealth-producing classes, but in direct opposition to justice. Nor has their power stopped here. It has entered the halls of justice and influenced the decisions of the courts, defeating the ends of justice. It is felt even in the sanctuary, in many instances closing the mouth of the professed man of God against practices most positively and expressly forbidden in the word of truth. It was not so, however, with the Good Master himself; when he found the predecessors of these bankers and usurers in the temple, knowing their true character, he named them properly and treated them justly. If the American people would preserve their Temple of Liberty, pure and undefiled, they must do likewise.

When we consider the almost unlimited sway these enemies of liberty and justice hold over the government of the nation, and the means they have for perpetuating their rule, they become indeed a formidable power, and one well calculated to intimidate and discourage the weak and doubting. But the greatness of their power and the manner in which they have used it, are among the main, and are of themselves a sufficient reason for its utter overthrow. The Government must rule over this unjustly constituted money power, or it

will rule over the Government and people, and instead of the Republic being what its founders intended it should be—an asylum for the oppressed of all nations—our own citizens will be able to find relief from its oppressions under the most despotic government in Europe.

Having pointed out the powers of the bankers and usurers, and some of the means they will use to retain it, we come now to notice some of the means at the command of the friends of right and justice, and the manner of using them for the overthrow of the power of their oppressors. In doing so, I desire to address you by no party name or nationality, but as **AMERICAN CITIZENS, HAVING A COMMON INTEREST AND A COMMON DESTINY.**

Before going into this conflict of right and justice against wrong and oppression, there are lessons to be learned, virtues to be practiced and duties to be performed. We must learn that all great political and social reforms, to be permanent, must begin in the lowest stratum of society and work upward, and that oppressions originate in the upper and press downward. This greatest of reforms must begin with and be consummated by the people. That intelligence and virtue in the sovereignty are necessary to a wise administration of justice under any form of government, and that it is not of so much importance whether a democratic or republican administration controls the Government, as that it be wisely and justly administered. That, as each citizen is an integral part of the government, he has important duties to perform—duties too sacred to be neglected or entrusted to any one—and which he should earnestly seek to know and faithfully perform. He should therefore think for himself and act on his own convictions of right and duty. He must divest himself of all preconceived opinions on questions of financial and other governmental policies, when convinced that they are erroneous, accept truth and reject error, regardless of their source; eschewing all party prejudice, he must meet and act with his fellow citizens for the common welfare. He who is unwilling to do these things cannot be a good citizen of a free government, for this is the only way the general good can be promoted and a successful effort made against the common enemies of labor in every department of industry. The interests of employer and employee is mutual. No lasting good can result to either from the compulsory measures or strikes, so often resorted to. The permanent interest of both can only be secured by the overthrow of the present falsely constituted money power. Having learned these lessons and determined to perform our whole duty, we are ready to go to work with the certainty of success.

The *first* thing to be done is, to petition Congress demanding the repeal of the shoddy banking system mis-called National, and the adoption of a just and true monetary system

that will give to labor its just reward. If the representatives of the people have any doubts as to which system the soldiers and wealth-producing classes prefer, ask them to submit the question to the decision of the people at the ballot box; this they cannot refuse, if they mean to represent the people at all. But above all, you should not fail to demand of Congress justice for the soldiers and their families, widows and orphans. You should positively refuse all bank notes, no matter what system they are issued under, and insist upon legal tender Treasury notes (Greenbacks,) in payment for services and supplies furnished the Government. You should protest against the issue or sale of Government bonds bearing greater interest than three per cent. per annum, or payable in anything but lawful money of the United States.

Second. You should form your Town, County and State organizations so that an intelligent and united effort may be made throughout the whole nation. If you cannot find among the public journals any that will advocate your rights, discard the whole of them and establish others that will. Do not fear a little cost in this matter. Remember that by supporting the newspapers in the interest and employ of bankers and usurers, you are paying for your own oppression and degradation.

Third. You should be careful to sustain those in office who stand by and support your rights, and to select only good and true men for legislative, executive, judicial, and other positions of official trust, discarding all mere professional politicians and demagogues. When a man appeals to you as democrats, republicans, Irishmen, Germans, or by any other party name or nationality, set him down as a demagogue seeking his own interest regardless of your rights. You may safely accept this as an infallible rule, for good men know none of these distinctions. They only know you as American citizens.

Fourth. You must make this greatest of all reforms paramount to all other issues, saving alone the preservation of the Government. You should stand on no platform in which these are not the main planks placed side by side, nor support for office any men who are not heartily in favor of both.

Let us then go to work with faith and constancy in the performance of our duties, and soon the ranks of the enemies of justice will waver and give way before the power of right, and the victory will be won—the rights and dignity of labor asserted—a victory more grand, more sublime, and more beneficent in its results, than was ever won on the battle field. “Let the social position of the laborer to which he is entitled by the ordination of God, in the laws of nature, be ascertained and recognized, and poverty and crime, and most other political and social evils, will give place to competency, virtue and happiness.”





LEGISLATION AND LITIGATION

CONNECTED WITH THE

LAND BANK OF 1740.

BY

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FROM PROCEEDINGS OF THE AMERICAN ANTIQUARIAN
SOCIETY, APRIL, 1896.

WORCESTER, MASS., U. S. A.
PRESS OF CHARLES HAMILTON,
311 MAIN STREET,
1896.

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JAN 1927

LEGISLATION AND LITIGATION CONNECTED WITH THE LAND BANK OF 1740.

THE Act of Parliament for restraining and preventing several unwarrantable schemes and undertakings in his Majesty's Colonies and Plantations in America reached Boston in July, 1741. Although the subscribers to the Land Bank might have taken exception to some of the statements made in the preamble to this Act, yet there was no room for doubt that it was specially directed against that Company and that the phrase "sundry other schemes, societies, partnerships, or companies" was introduced to cover the case of the Silver Bank. There is no reason to suppose that Parliament could have had notice that there was under discussion at that very time a plan to establish a local Land Bank in Ipswich, nor that there were other similar propositions in the air. It was on the 27th of March that Wilks wrote:—¹ "A bill has just passed the House of Commons to extend the Act commonly called the Bubble Act, passed in 1720, to the plantations in America," but it was not until April 3, that Edward Eveleth and others, representing the proposed Ipswich Bank, presented a petition to the General Court² setting forth that they had projected a medium of trade by bills of credit which they proposed to emit, and praying for the approbation of the Court.

The subscribers to the Land Bank reluctantly accepted the situation, and took such steps as relieved the Company

¹ Archives, 53, 77.

² Court Records, $\frac{\text{XVII}}{2}$, 536.

from possible charge of actively resisting the enforcement of the Act of Parliament. There were many among them who were prepared to continue operations in defiance of the authorities, but the counsel prevailed of those who advised winding up the Company, and measures were taken for the voluntary liquidation of its affairs. The Act which had compelled this proceeding, had, by its terms, rendered null and void every contract made by the Company. Among these, the bills which had been emitted, should, by strict interpretation, have been included, yet every subscriber was made liable for them in the hands of any possessor. It was apparently impossible to enforce any legal process in behalf of the Company, while its obligations were recognized as continuously existing, liability for the same having devolved upon the individual partners.

The notes of the Company, although issued on the basis of six shillings and eight pence an ounce for silver, the then recognized par value of lawful money in the Province, were, by their terms, not redeemable for twenty years, and could then have been satisfied by the Company in produce. It is obvious that these features must have caused them to circulate at a discount from their nominal face value, but just what that discount was can not be determined. Hutchinson is authority for the statement that many of them were obtained by possessors at one-half their expressed value. Their compulsory and immediate redemption at their face value was a hardship upon the subscribers, and it is upon the whole creditable that in the chaotic condition of their affairs caused by the annulment of all their contracts by Act of Parliament, the subscribers themselves were ultimately enabled to draw in a little over ninety-five per cent. of the circulation of the **Land Bank**. It was evident, however, in the spring of 1742, that they had accomplished about all that they could without aid from the General Court, and that in the adjustment of the various conflicting interests with which they were surrounded,—

legislation of some sort was absolutely necessary. When this conclusion was reached, application was made to the General Court for relief.¹

In August, 1741, just after the arrival in the Province of the Act of Parliament, the General Court had taken the matter under consideration, and had carried through to the point of engrossment, "An Act to subject the bonds and Mortgages given by the undertakers and their sureties in the Silver and Manufactory Schemes to the payment of possessors of bills."²

Apparently this bill was abandoned at the intercession of the Land Bank Company, for in the petition for relief referred to above, which was presented in March, 1742, the subscribers express their gratitude that at the request of the same memorialists the General Court had refrained from enacting a bill which was under consideration in September, 1741, which bill was framed in such a manner as tended to distress said Company.

The motives which led to this prolonged attempt to wind up the Company without legislative interference are apparent, as are also the difficulties which compelled the subscribers to solicit the aid of the law-making power. On the one hand, it was almost impossible to legislate with reference to the Company without recognizing contracts which the Act of Parliament declared invalid. On the other hand, it was not easy to procure from the solvent subscribers even their own proportionate contributions towards closing up affairs, not to mention the fact that enough must also be raised to cover delinquencies and losses in trade. The Directors, from the outset, realized that if subscribers would escape persecution, those who were able must pay more than what seemed to be their proportionate share towards the adjustment of affairs, but a committee of

¹ Archives, 59, 826.

² Court Records, XVII, 96, 99.
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the partners appointed at the last meeting of the Company to adjust and settle the accounts of the partners, published in October, 1741, in the *News-Letter*, a report to the effect that the Directors had made an excessive assessment and gave their advice to partners as to how much ought to be paid. This committee was composed of three members, and in the March following, two out of three concluded that it was their duty to petition for the legislation necessary to clear up the confusion, for which it is evident that they were in part responsible. Their motives were undoubtedly good in thus advising partners. They believed that the losses in trade were improperly distributed, but it would have been better for all to have hurried through an adjustment of affairs on any terms.

The result of this application in March, was the passage of a resolve April 3 by the General Court for the appointment of a Joint Committee¹ with full power to wind up the affairs of the Company, to pay off its indebtedness, destroy the bills and distribute the proceeds. In this resolve, the outstanding contracts of the Company were practically recognized, and for that reason the Governor withheld his consent. A second resolve, authorizing the appointment of a Committee to examine and report as to the amount of bills outstanding and from whom they were due, so that effectual care might be taken to cause the outstanding notes to be brought in, was passed April 23,² and to the measure in this form the Governor consented. These resolves must be those which are referred to by Shirley under the phrases Order No. 1 and Order No. 2 in his letter to Lord Wilmington, April 30, 1742,³ wherein he says :

. . . the Assembly and Council upon the petition of the worthier part of each of the late Companies pass'd

¹ Archives, 59, 326 *et seq.*

² Archives, 102, 225.

³ Hist. MSS. Com. Report 11, Appendix, Part IV., 292.

one of the enclosed orders No. 1, and the most earnest solicitations have been made to me by the sufferers to give my consent to it; but as the remedy proposed by it is at the bottom founded upon the supposed subsistence of the mutual agreements and contracts made at first between the directors and partners of each of the Companies, which are deem'd and declared by the Act of Parliament to be illegal and void *ab initio*, I could not possibly come into it. But to retrieve the sufferers and preserve the public peace and quiet, so far as was in my power, I form'd and promoted the inclosed order of the General Court, No. 2, which is consistent with the Act, and I understand has considerably alarm'd the deficient partners, and will, I hope, help to make the Act of Parliament have its full effect, and draw in all the outstanding Bills properly.

Two things are to be noted in connection with this first effort at legislation with regard to the Land Bank: first, the attempt to avoid submission to the Privy Council for approval as shown through the adoption of the form of a resolve in preference to an act; and second, the temper of people which made it necessary that Shirley should let something go through in order to preserve the public peace and quiet.

May 27, a petition by Joseph Parmenter and a number of others¹ was presented to the General Court, setting forth that notwithstanding their speedy compliance with the Act of Parliament, their estates were exposed to the demands of possessors of bills, through the wilful neglect of some of the partners to pay in their quotas, that demands had been made upon some of the petitioners for the exchange of large sums of the bills, that proceedings were actually pending against some of them, and that they were exposed to more and greater demands, wherefore they prayed for relief.

From this, it would appear that up to this point popular sympathy for those whom Shirley termed "the sufferers," was powerful enough to protect them against the attacks of

¹ Archives, 102, 243.

speculators. The time had now arrived when this was no longer to be possible. The attitude of the possessors of bills had already been brought to the attention of the General Court, March 17,¹ in a petition in which Nathaniel Martyn and several others asserted that they were possessors of considerable sums of the notes, which had been discredited even before the Act of Parliament and which the partners now refused to redeem. Unless assisted by the General Court the petitioners alleged that they would "be obliged, though with reluctance, to proceed with and augment prosecutions against the said Partners on the said Act in order to acquire their just rights." The petition then goes on to say, that "if they are necessitated to do the same, the conditions and circumstances of the Partners are such as will render it absolutely necessary, and the tenor of the said bills and of the said Act make it very convenient, to prosecute a great number of them, and that without regard to them who have satisfied their directors." The minatory character of this petition foreshadowed what was to take place, and although the possessors would appear to have abstained temporarily from prosecuting their claims, in order that the General Court might signify its intentions in the premises, yet towards the end of May and in the early part of June a number of suits were inaugurated, the name of Nathaniel Martyn, the leader of the petition, figuring conspicuously as plaintiff in the suits.

It is perhaps a measure of the number of these suits that were expected to be brought, that a special blank form of writ was issued, which contained a declaration in a plea of debt based upon the steps taken in the organization of the Land Bank and the issue of the bills.² A number of these bills, the printed declaration alleged, had been received by the plaintiff at the value expressed therein, and neither the defendant nor anybody else would take them from the plaintiff at that value, but they rested in his hands useless,

¹ Archives, 102, 210.

² Suffolk Files, 55,507.

whereof the defendant had notice, and so by the statute in that case provided became chargeable to the plaintiff for the amount named in lawful money with interest from the date of said bills. The writ opened with the ordinary instruction to the sheriff to attach the estate of the defendant, or for want thereof to take his body. At a later date, another form came into use which was a mere summons to the defendant to appear.¹ There were some changes of phraseology, but they were slight.

The petition of Parmenter and others was referred to a Joint Committee and June 30 reports on the condition of the two companies were submitted by John Jeffries.² It appears by the report on the Land Bank there were then outstanding between sixteen and seventeen thousand pounds of Land Bank bills, but that the returns were daily coming in. The consideration of this report was postponed to the next session.³

On the 13th of September, 1742,⁴ the directors petitioned the Council for relief, asserting that they had done their utmost to bring in and destroy the bills, but many of the partners obstinately neglected and refused to aid them. They therefore prayed the Board to take such steps as would force the delinquents to comply with the law. The Council thereupon ordered the Attorney-General to prosecute all such delinquent partners as should incur the pains and penalties of *premunire* under the Act of Parliament.⁵ In pursuance of these instructions, John Overing, Attorney-General, proceeded to lodge information against some of the more conspicuous of the delinquents,⁶ and to prosecute them in the Superior Court of Judicature. As a result of these proceedings, he was enabled to bring some of the recalcitrants to terms. Others were able to evade

¹ Suffolk Files, 59,692.

² Archives, 102, 260, 262.

³ Court Records, XVII, 450.
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⁴ Council Records, 10, 657.

⁵ Archives, 102, 264.

⁶ Suffolk Files, 56,680, 56,683, 57,190, 57,526.

service and escape. As a whole, but little was accomplished by the prosecutions.

On the fifteenth of January, 1743, the General Court passed to be enacted a bill entitled an Act for the more speedy finishing the Land Bank or Manufactory Scheme.¹ The Governor in his speech on the same day alluded to this act,² saying that while he would be glad to promote the ends aimed at by the bill, it interfered with the Act of Parliament and was of an extraordinary nature. Furthermore, he was obliged to submit all bills for approval before signing, and by its terms this Act might have its entire effect before it could be submitted.

June 18, a second bill, of the same title as the former, passed both houses to be enacted.³ June 25, the Governor stated in his speech, that this bill must lie for consideration till the next meeting,⁴ as he expected to hear from the Lords Commissioners of Trade. September 9, he had heard nothing concerning its fate,⁵ and it is evident that the bill was not approved, for on November 10 another bill bearing the same title passed both houses⁶ to be enacted, and November 12 it was ordered to be published in the *Boston Gazette*.

This act was originally introduced in the house on the 5th of November.⁷ On the 7th, Shirley transmitted a copy to the Lords of Trade.⁸ From the letter which

¹ Court Records, $\frac{\text{XVII}}{3}$, 611, 617.

² Court Records, $\frac{\text{XVII}}{3}$, 621.

³ Court Records, $\frac{\text{XVII}}{4}$, 74, 83, 91.

⁴ Court Records, $\frac{\text{XVII}}{4}$, 118.

⁵ Court Records, $\frac{\text{XVII}}{4}$, 128.

⁶ Province Laws, III., 118, Ch. 17, 1743-44.

⁷ Court Records, $\frac{\text{XVII}}{4}$, 195.

⁸ Province Laws, III., 138.

accompanied this copy we can ascertain the objections to the bill of June 18th. It is needless to go into detail in this matter. In a general way it may be said that the objections were that the powers given to the Commissioners to wind up the bank were too arbitrary. The Governor pointed out that though the methods employed were the same, the powers conferred by the new bill upon the Commissioners were curtailed, and the rights of partners were protected by giving them the right of appeal. Possessors of bills still retained all rights conferred by the Act of Parliament.

The bill was divided into eleven sections. In the first, John Jeffries, Samuel Danforth and John Chandler were named as Commissioners, and power was conferred upon them, or any two of them, to order and adjust all the affairs and business necessary for the just and equal finishing of the Land Bank or Manufactory Scheme. In the second section, power was given these Commissioners to examine persons under oath, in order to discover concerning the affairs and trade of the Company ; to get possession of books, papers and writings relating to its officers ; to discover its debts and credits, the quantity of bills emitted, and the proportion due from directors and partners for the redemption of outstanding bills. Power to assess partners for their proportion of the bills of the Company was conferred in the third section, and after such assessment had been approved and allowed by the Great and General Court, suit could be brought for the same, or the Commissioners could raise the money by mortgaging in their own names the estate that the partner had originally mortgaged to the Land Bank. To prevent alienations or conveyances of these estates of partners, such estates were declared to be bound and held for the assessments from the day of the publication of the Act to the same extent as if they had been attached in an ordinary suit at law. Power was given the Commissioners in the fourth section to sue debtors of

the Land Bank for money, goods, or effects, due from them to the Company. The fifth section conferred upon the Commissioners power to assess the losses incurred by the Company in trade, and after the assessment had been approved to sue for the same.

The sixth section was an allegation that none of these proceedings should be held to interfere in any way with the rights of possessors of bills to sue partners. By the seventh section, the Commissioners were required to report at the session beginning May, 1744, and any partner who felt aggrieved could appeal to the courts, but to perfect his right to do so was required to file his notice of appeal before that session began. If any question of fact arose between such partner and the Commissioners, provision was made for its trial. All mortgages of lands of partners made by the Commissioners were by the eighth section declared to be good. All suits under this Act were to be brought in the County of Suffolk. As possessors had power to bring suits elsewhere, it was provided in the ninth section that bills lodged in court in such suits should be delivered to the Commissioners. The tenth and eleventh sections relate to allowances to the Commissioners and to the method of filling vacancies in the Commission.

A bill entitled an Act in further addition to and explanation of an Act for the more speedy finishing of the Land Bank or Manufactory Scheme, was passed in February, 1744,¹ defining more particularly the circumstances under which it was the duty of courts, laid down in the ninth section of the original Act, to forward bills to the Commissioners. This was not to be done unless the judgments of the possessors had received full satisfaction.

On the twelfth of November, after the publication of the Act for finishing the Land Bank, the General Court awarded

¹ Prov. Laws, III., 135, ch. 28, 1743-44.

the Commissioners the "use of the room at the west end of the Court House, in Boston, where the Assessors used to sit."¹

The Commissioners entered upon their duties in November, 1743. It was supposed that they could easily master the affairs of the Company, make their assessments, and report at the May session. The only right of appeal vested by this Act for finishing the Land Bank in the assessed partner, was dependent upon his filing a notice of his intention to contest the decision of the Commissioners prior to the beginning of the May session. It was not until August sixteenth that the Commissioners were able to report that they had made their first assessment, and this was only laid upon thirty-seven of the partners who were totally delinquent. If there was any object in allowing the right of appeal in the original Act, it was essential that the time should be extended, and as it was evident that the time when the Commissioners could make future assessments upon other classes of partners or upon the subscribers as a whole, was indeterminate, it was clear that some change would be required in the act to cover this point for future assessments.

For the foregoing reasons the General Court passed, August 18,² an Act in further addition to and explanation of an Act for the more speedy finishing of the Land Bank or Manufactory Scheme. For the assessment of August sixteenth the time for appeals was extended to September 7, and the Commissioners were ordered to publish the list in the four weekly prints called the *Boston Weekly Postboy*, the *Boston Evening Post*, the *Boston Gazette or Weekly Journal*, and the *Boston Weekly Newsletter*. Future assessments were to be published in the same newspapers, and fourteen days after notice by publication were allowed for appeals.

The same day that this Act was published, the General

¹ Archives, 59, 346.

² Prov. Laws, III., 172.

Court by resolve authorized the Commissioners to receive a large amount of bills then in the hands of the late directors of the Land Bank¹ and to destroy them, and they were further authorized to burn such bills as they should from time to time thereafter receive.

November 8 the Commissioners made a second assessment, this time directed against partial delinquents, of whom the names of forty-six appear in the published list. On the fourth of December, Jeffries made a report of his doings to the General Court.²

The Commissioners now settled down to work. Their first efforts were directed against the delinquents. A special blank form of writ was printed containing a declaration adapted to the case of the total delinquents who were assessed on the sixteenth of August.³ The setting up of the Bank by the defendant and many others, the issue of the bills, the abandonment of the scheme, the redemption of their proportionate shares by many of the subscribers and the neglect of others, were alleged in due form. The passage of the Act for finishing the scheme, and the power given the Commissioners under the Act to sue for assessments; the fact that an assessment was laid in August, of which the defendant had paid no part; the further fact that this assessment had been approved by the General Court; the notice by publication in accordance with the Act; the failure of the defendant to give notice of intention to appeal; and finally his failure to pay the assessment when demand upon him was made,—were also formally asserted. The instructions to the sheriff were to summon the defendant to appear.

Another writ was printed containing a declaration

¹ Court Records, $\frac{XVII}{4}$, 494.

² Court Records, $\frac{XVII}{4}$, 562.

³ Suffolk Files, 59,480.

adapted to the case of those assessed November eighth.¹ The sheriff was instructed to attach the property of the defendant or arrest his person in a suit at the hands of the Commissioners, appointed pursuant to an Act of the General Court to finish the Land Bank or Manufactory scheme. Then followed an allegation of the responsibility of subscribers to possessors under the Act of Parliament, whereby in equity and according to their mutual covenants, they were severally obliged to pay their ratable parts for the redemption of outstanding bills. The ratable parts of the several subscribers, the Commissioners, under the authority conferred upon them by the General Court, had assessed upon the partners, whereof the defendant was one, on the eighth of November, and in that assessment the defendant was assessed. Notice had been given by publication, report had been made to the General Court, and the proceedings had been approved, and the defendant thereby became chargeable for the assessed sum and had not paid the same.

The number of total delinquents assessed in August was thirty-~~six~~, and the number included in the assessment of November was forty-~~seven~~. It is evident, from the use of the summons to the defendant in the form for suits under the August assessment, that the Commissioners feared that the bodies of the defendants would be all that the sheriffs could produce in response to instructions to attach and arrest, and that the custody of these would not in their opinion advance the redemption of Land Bank notes.

They, perhaps, hoped for some results from suits against those assessed in November, and waited a little over a year before taking any other steps towards levying assessments. On the 27th of December, 1745, however, they levied a ten per cent. assessment upon all subscribers, including therein those against whom assessments had already been made,

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Six

¹ Suffolk Files, 59,757.

and in due course of time thereafter sought to enforce collection of this assessment through the courts.

The first special blank form of writ that appears upon the files in connection with this assessment is addressed directly to the defendant,¹ summoning him to appear, and in the final clause is a statement that his goods have been attached. He is summoned to answer the Commissioners in a plea of debt, the claim being based upon an assessment laid under authority of the General Court, December 27, 1745, against subscribers for their ratable parts for the redemption of outstanding bills. Notice by publication is alleged, and the approval, February 7th, of the assessment by the General Court. Payment of the same, it is stated, has not been made by the defendant.

Another special blank was used which was addressed to the sheriff in the ordinary way, and contained the usual order to attach or arrest.² It contained allegations similar in substance to those of the next preceding form.

During the year 1746, the Commissioners were busy seeking to enforce the collection of their assessment of December, 1745. The tedious nature of the proceedings, and the general resistance which they met with, made the results costly and unproductive. At a later date one of the Commissioners reported that their work at this time tended rather to increase than diminish the debt of the Company.³ To add to their embarrassment, and to increase the confusion of their affairs, their books and papers were burned when the town-house was destroyed by fire in 1747.

It is not strange that we find that the General Court was made uneasy by this condition of affairs. All the original evidence, by means of which subscribers could be held, was gone. An order was introduced in the General Court in September, 1747, for a Joint Committee to consider and

¹ Suffolk Files, 61.673.

² Danforth's Report, Archives, 104, 324.

³ Suffolk Files, 61.673.

report what was necessary to be done for the further relief of those persons who were concerned in the Land Bank scheme,¹ but it does not appear that this Committee ever acted. In April, 1748, the Commissioners were called upon to make a report at the May session.² This they did on the 22d of June,³ stating that they were careful to keep an exact and minute account, not only of the several sums paid in by the partners and of the species in which payments were made, but also of the disbursements for purchasing and drawing in the Company's bills, and of the charges occasioned by the law suits, and otherwise. But as the books and papers containing all their entries and accounts were unhappily consumed with the court-house by fire, and the knowledge of many things transacted, thereby put beyond all possibility of being recovered, and there being no way that they knew of except by sight of the receipts given by the Commissioners to the partners, to ascertain what had been paid, they had given notice to partners to produce their receipts. Not more than one in a hundred had been brought in up to that time. They were therefore incapable of making the report which they were called upon to furnish. A Committee was thereupon appointed to consider the affair.

November 11, 1748, a bill was introduced the purpose of which was to overcome the difficulties in the way of settling the Land Bank, occasioned by the loss of the books and papers of the Commissioners, and January 3 the Governor gave his consent to the bill.⁴ The preamble recites the great difficulties experienced by the Commissioners, more especially those occasioned by the destruction of the books of the Company and of the Commissioners in the late burning of the court-house in Boston.

The first section of the act provides that the Commissioners shall as soon as may be make an assessment on

¹ Court Records, XVIII., 223.

² Court Records, XVIII., 341.

³ Archives, 102, 382.

⁴ Prov. Laws, III. 442, Ch. 16, 1748 9.

those persons mentioned in a list printed in the supplement of the *Boston Gazette*, 1745, which list is declared to contain a true and exact account of the partners in said Land Bank scheme. The assessment was to be adequate to redeem outstanding bills, to make good deficiencies, and to cover expenses. Receipts for payment on the previous assessment should be received as money by the Commissioners *pro tanto*. The assessment was to be printed in the weekly newspapers sixty days before its presentation to the General Court, after which publication the approval of the Court was required. The Commissioners could issue their warrants of distress against partners who failed to pay such assessment within sixty days after approval by the General Court. The form of the warrant of distress was then given.

Sheriffs, coroners and constables were required in section two to execute the warrants, and in section three instruction was given them as to the liability of the estates of deceased persons, who if living and in the province would have been compelled to respond. By section four, the Commissioners were to divide any surplus that they might collect among the partners. Section five provided for meetings of the Commissioners, and section six conferred upon them power to demand and receive papers.

The warrant of distress, which the Commissioners were by this act authorized to issue against delinquents, opened with a recital of the names of the Commissioners and their title. It was addressed to the sheriff, and proceeded to rehearse in detail the authority under which it was issued and the several facts that constituted a technical compliance with the Act, so that the responsibility of the defendant became thereby fixed. It then proceeded to require the officer to levy by distress upon the property of the defendant, giving detailed instructions as to surpluses and redemptions. It was evident that the Commissioners expected through the agency of these warrants to overcome the

Obstacles which had hitherto prevented them from closing up the Company. They proceeded therefore in a hopeful mood to make an assessment, and at some time in the year 1749, submitted it to the General Court. The fact that such an assessment was made, appears from a report of one of the Commissioners,¹ who says, that some of the partners not being satisfied with it, prevailed on one branch of the General Assembly to withhold its approval, and the whole assessment thereby became invalid. Apparently no effort was made to substitute any other assessment for the one which failed of approval, and as this approval lay at the basis of all proceedings under the Act, the legislation of 1749 fell to the ground.

During this interval John Colman brought suit against the directors for a large sum, which he alleged to be due him from the Company. He was defeated in the Inferior Court, appealed, and the judgment was affirmed.²

In 1750, a petition of some of the partners was presented to the General Court for consideration. It was doubtless the outcome of this assessment. It was headed by John Brown, and was devoted to an arraignment of the directors of the Land Bank. We first hear of it April 4,³ when the House came up to the Council Chamber, and the hearing was opened in the presence of the whole Court. On the tenth and eleventh of the same month the hearing was concluded in the same manner.⁴ A Committee was then appointed⁵ to consider and report, and on the 11th of October⁶ John Quincy gave in the report of that Committee, which was in effect an order that the Commissioners submit some sort of a report, indicating as best they could the condition of the affairs of the Bank. This report was accepted, and in response to the order

¹ Danforth's Report, Archives, 104, 324.

² Suffolk Files, 66, 842.

³ Court Records, XIX., 152, 153.

⁴ *Ibid.*, XIX., 163, 164.

⁵ *Ibid.*, XIX., 168, 202.

⁶ *Ibid.*, XIX., 244.

the Commissioners on the 15th of January, 1751,¹ filed an account of the state of affairs of the Company according to their best light. This report was referred to the Committee appointed to consider the petition of John Brown and others. On the 27th,² the House, where evidently was lodged the strength of the petitioners, showed signs of impatience, and voted that this committee be directed to sit forthwith and report as soon as may be. Again, on February 21,³ the House voted that the accounts of the Commissioners, the accounts of the directors as a collective body, and the accounts of delinquent partners, should be referred to a Committee, which should adjust and settle them and report thereon the first day of the next session of the Court. The Council non-concurred, and voted that a conference should be had between the two houses, and that John Quincy should represent the board at the conference. This conference was held the same afternoon, after which the Council adhered to their original vote with amendments and sent it down to the House. Finally, both houses agreed on the 22d⁴ upon a form defining the powers of a Committee to examine the question of the liability of the directors. This Committee was to examine and make strict inquiries into any moneys or other effects that might have been received by the directors of the Land Bank Company jointly and distinct from any money or effects with which they stood charged in their particular accounts. The accounts of the Commissioners were also referred to them, and they were to sit during the recess of the Court. On the 17th of April, 1751, John Wheelwright, in behalf of this Committee, reported,⁵ giving in detail the amounts which were found to be due to the Company from the several directors, which amounts it was said the directors and the heirs of

¹ Court Records, XIX., 257. ² *Ibid.*, XIX., 273. ³ *Ibid.*, XIX., 301, 302.

⁴ *Ibid.*, XIX., 304. Archives, 102, 565.

⁵ Archives, 102, 599. Court Records, XIX., 330.

deceased directors ought forthwith to pay to the Company. The Committee were further of the opinion that the proportionate share of a director for the finishing of the affairs of the Land Bank, was in addition to the foregoing amounts, forty pounds. They recommended the enforcement of assessments already laid, and the levying of another, if necessary. To accomplish this they recommended the passage of a new Act. The report was read, accepted and a Committee appointed, April 19,¹ to bring in a bill to accomplish these purposes. On the 24th such a bill, having been duly enacted, met with the approval of the Lieutenant-Governor.

The preamble to this Act recites the assessments of August 21, 1744, November 8, 1744, and December 27, 1745, and their publication.² It states the impossibility of ascertaining the exact sums paid by individual partners, in consequence of the burning of the court-house, in any other way than from evidence to be furnished by the partners themselves; and then goes on in the first section to declare that the partners are held to be liable for the payment of the sums mentioned in the publications of said assessments, unless they can furnish evidence of payment. Six per cent. interest was to be collected on all the assessments, and in order to meet charges caused by the non-payment of assessments, ten per cent. was added to the assessments of August and November, 1744, and five per cent. to that of December, 1745. In section two the directors were declared to be liable for the sums found to be due from them in Wheelwright's report, and the surviving directors and the estates of deceased directors were each assessed forty pounds Land Bank money. By section three these sums were to be paid before August 1, 1751, and if not then paid, the Commissioners were required forthwith to issue their warrants of distress, and

¹ Archives, 102, 600.

² Prov. Laws, III., 551, Ch. 23. 1750-1.

this notwithstanding there might be outstanding unsatisfied judgments of the courts theretofore obtained. The form of the warrant was given. Section four is devoted to the setting forth of the officers who were empowered and required to execute the warrants, and to instructions in case the assessed partners were deceased or out of the province. Three months were allowed for the redemption of real estate.

Under section five the Commissioners were authorized to make further assessments if it should become necessary. Such assessments were to be published, according to section six, in the *Boston Gazette or Weekly Journal*. Sixty days were allowed after publication for voluntary payment, and then the Commissioners were required, unless the assessment had in the meantime been set aside by the General Court, to issue forthwith their warrants of distress.

It is then alleged that in a previous Act the estates of partners were, after the publication of the assessment, held in the same manner as if they had been attached at the suit of a creditor. By the seventh section all lands which were bound by this clause, no matter in whose possession they might then be, were declared to be still subject to the payment of the assessment, and liable to be taken by distress. As soon as the Commissioners should have collected enough to redeem the outstanding bills, they were to give public notice of a time and place at which they would attend to redeem bills. Such public notice was declared to be a legal tender to possessors of bills.

The warrant of distress provided for in this Act was to be issued over the hands and seals of the Commissioners. The form was addressed to the sheriff. It recited the authority conferred in the act itself, and required the sheriff to levy by distress and sale of the estate of the defendant a certain sum, and bring the same to the Commissioners. If no estate could be found, the sheriff was to arrest the defendant and commit him to gaol until the

same should be paid. If real estate was attached three months were allowed for redemption. The return was to be made to the registry of deeds for record.

The Governor had refused consent to the first attempt at legislation directed towards closing the Land Bank, because the Company was too plainly recognized. He had refused consent to the first Act prepared for finishing the Land Bank, because it was too arbitrary. Ten years had elapsed since the arrival of the Act of Parliament, and beyond what had been accomplished by the Company itself, little progress had been made towards closing the affairs of the Company. With the law which was passed in 1751, the Commissioners could easily have wound up the Bank in 1743. It remained to be seen what could be done with such a law now. The Commissioners had a warrant of distress printed,¹ following the phraseology prescribed by the Act, and at once proceeded to test this question.

The delinquents had, however, in many instances taken steps to protect their property as best they could, and they had learned that this hasty legislation was full of flaws. In the country it was difficult to procure service of the warrants, and many of them were returned years after their issue without service.² "He is out of the Province"; "Cannot find estate"; "Dead, insolvent"; "Is dead, sold his estate in season, and was insolvent"; "Never lived in Worcester, but in Woodstock, and no estate can be come at"; "Sold in season, gone to Albany"; "Sold in season, died and left no estate"; and so on, with an occasional "paid formerly" by way of variation, such are the returns made to these warrants of distress.³

In 1752, Sheriff Pollard, of Suffolk County, in a memorial,⁴ addressed to the General Court, stated that as far as lay in his power he had levied the warrants of distress and had exposed the estates for sale, but by reason of a sup-

¹Suffolk Files, 68,419.

²Suffolk Files, 68,419, *et seq.*

³Report of Danforth, Archives, 104, 324.

⁴Archives, 103, 44.

posed defect in the law, which did not in express words enable the sheriff to execute a conveyance with warrantee, those persons who had been inclined to bid at such sales were discouraged from so doing. Whereupon the memorialist felt it to be his duty to lay these facts before the Court.

The Council on the 14th of December, 1752,¹ ordered the appointment of a committee to take the matter of the memorial under consideration and to report a bill. The House non-concurred on the 15th, and ordered the memorial dismissed. On the 23d the House reconsidered this action, concurred with the Council and filled the Committee. January 3, 1753,² the bill was reported to the Council, and passed to be engrossed. April 7, the House ordered the Committee appointed December 23 to prepare a bill as soon as may be.³ On the 9th the Council concurred in this order. On the 12th this Committee was ordered by concurrent vote to sit forthwith and report thereon as soon as may be.⁴

On the 19th of June, a Committee of the General Court was appointed⁵ to inspect and examine the accounts of the Commissioners, and to report at the next sitting of the Court the present state of the accounts and what they judge proper to be done thereon.

December 21, 1753,⁶ an Act in further addition to the several laws in being for the more speedy finishing the Land Bank and Manufactory Scheme was passed by the Council to be engrossed. January 21, 1754,⁷ the House passed an order that a Joint Committee prepare a bill for this purpose, and the Council concurred in this order. April 13,⁸ such a bill was reported in the Council and read a first time. On the 19th it was passed⁹ in concur-

¹ Archives, 103, 44.

² Court Records, XIX., 523.

³ Archives, 103, 99.

⁴ Court Records, XX., 16, 21.

⁵ Archives, 103, 161.

⁶ Court Records, XX., 127.

⁷ *Ibid.*, XX., 177.

⁸ *Ibid.*, XX., 226.

⁹ *Ibid.*, XX., 231.

rence to be engrossed, and the same day the vote was reconsidered and the Council non-concurred. February 19, 1755,¹ the bill was revived, and on the 21st and 22d read a first and second time in the Council, and with an amendment was passed to be engrossed.² On the 25th, the House passed the bill a first, second and third time in concurrence,³ and on the 27th this bill became a law.⁴

The bill opens with the allegation that further provision is necessary to be made with regard to the sale of real estate of delinquents. The first section is retroactive in certain cases, as well as applicable to the future, and provides that if after levy on the real estate of a partner for a sum assessed upon him, the sheriff shall obtain from the register of deeds a certificate that prior to October, 1743, the said partner had not conveyed the estate to any other person, he shall be authorized and empowered after the time allowed for redemptions shall have elapsed to execute a warrantee deed to the purchaser. Section two gave to claimants the right to bring suit within one year from the date of the conveyance by the sheriff, and in the meantime such claimants were barred from any action of trespass or ejectment. Provision was made for the case of absence from the province or the legal incapacity of a claimant.

By the third section, the estates of all partners were made liable for the costs and charges which might arise from such conveyance. By the fourth section, an attested copy of a Land Bank mortgage was made good evidence in any suit upon such mortgage. By section five the powers of Commissioners, conferred by previous legislation, were declared not to be abridged by this Act. The most curious feature of this Act is the recognition of the mortgages given to the Land Bank.

On the 10th of March, 1758,⁵ John Jeffries and Samuel

¹ Archives, 108, 235.

² Court Records, XX., 412, 415.

³ Archives, 108, 307.

⁴ Prov. Laws, III., 802, Ch. 24, 1754-5.

⁵ Court Records, XXII., 249.

Danforth, two of the Commissioners, presented a petition to the General Court for a lottery as the most likely method for the speedy and effectual redemption of the bills still outstanding. This petition was referred to a Joint Committee. On the 18th,¹ this Committee reported that in their judgment it would be expedient to find out more exactly the value of the outstanding bills before taking any new steps towards their redemption. They further recommended that possessors should be required to bring in Land Bank bills to the Commissioners within a limited time; that the Commissioners should be required to mark bills thus submitted, so that they could be distinguished, and then return them to the owners; that a date ought to be fixed, after which it ought to be made a penal offence to pass any of the bills which had not been submitted to the Commissioners; that a lottery at present was undesirable.

The report was accepted and a Committee was appointed to prepare a bill in accordance with its suggestions. Such a bill was introduced and passed, and became a law March 27, 1758.²

Meantime the Commissioners were proceeding as best they could with the work of collecting the sums due from partners and directors. The character of the opposition which they met with is sufficiently indicated in the following extract from the *News-Letter* of August 24, 1758:—

To be sold at Public Auction at the Exchange Tavern in Boston TOMORROW at NOON The Dwelling-House, Mill-House, and other Buildings, with the Garden and Land adjoining, and the Wharf, Dock and Flatts before the same, being Part of the Estate of the late Samuel Adams Esq. deceased, and is situate near Bull-Wharf, at the lower end of Summer-Street in Boston aforesaid, the said Estate being taken by Warrant or Execution under the Honors and Seals of the Honourable Commissioners

¹ From *Annals*, 1758, 204.
² *Id.*, 1758, 204, 205.

for the more speedy finishing the Land-Bank or Manu-
factory Scheme.

The Plan of the Ground and the Terms of Payment
may be known by enquiring of

STEPHEN GREENLEAF.

To Stephen Greenleaf, Esq. ;

Sir,

I observe your Advertisement for the Sale of the
Estate of Samuel Adams, Esq. Director of the late Land
Bank Company—Your Predecessor Col. Pollard, had the
same Affair in Hand five Years before his Death, but with
all his Known Firmness of Mind, he never brought the
Matter to any Conclusion, and his Precept, I am told, is not
returned to this Day.—The Reason was—He, as well as
myself, was advis'd, by Gentlemen of the Law, that his
Proceeding was illegal and unwarrantable; and therefore
he very prudently declined entering so far into this Affair
as to subject his own Estate to Danger.—How far your
Determination may lead you, you Know better than I.—
I would only beg leave, with Freedom, to assure you, that
I am advis'd and determined to prosecute in the Law, any
Person whomsoever who shall trespass upon that Estate;
and remain, Your humble servant

August 16, 1758.

SAMUEL ADAMS.

In January, 1759, two of the partners, against whom
executions had been obtained by possessors, petitioned the
General Court for relief.¹ They were George Leonard,
of Norton, who had been sued by James Otis, and Benja-
min Jacob, of Scituate, who had been sued by Robert
Treat Paine. The matter was referred to a Committee.

The examination of the outstanding bills in the hands
of "possessors" so-called, revealed the fact that they
amounted to less than one thousand pounds. No assess-
ment had been laid, which had been permitted to stand,
since December, 1745. The original Commission ap-
pointed in 1743 was composed of John Jeffries, Samuel
Danforth, and John Chandler. The latter lived in
Worcester, and very soon after the organization of the

¹ Archives, 103, 681, 683.

Commission resigned. In the Spring of 1759, Jeffries resigned, and it became necessary to reorganize the Commission. To accomplish this a new act was passed, in the preamble of which the various difficulties which had prevented the Commissioners from closing the affair were rehearsed, and the statement was made that the amount of bills then outstanding was nine hundred and ninety-five pounds.¹

The new Commission was composed of Thomas Goldthwait, Nathaniel Hatch, and Samuel Danforth, who were instructed in Section one to make an assessment of three thousand pounds, on such of the persons whose names were given in the published list in the supplement of the *Boston Gazette*, 1745, then living in the province, as they should judge of ability to pay the assessment. The assessment was to be published, and thirty days after publication was given for payment. Then the Commissioners were to issue executions against the estates of delinquents, and the form of the execution was given.

Section two of the Act was devoted to the redemption of bills. In section three authority was given the Commissioners to call sheriffs to account who neglect to serve warrants. Section four provided for a second assessment upon those whose names were not included in the first assessment. Section five gave the Commissioners power to dispose at private sale of seized estates under certain circumstances. Section six related to sessions of the Commissioners. Section seven was devoted to the protection of sheriffs. Persons who should purchase lands at the sales were debarred from bringing actions for damages against them.

In October, 1759,² the Council passed an order calling on town clerks and assessors to furnish certain information relative to partners, but the House non-concurred.

¹ Prov. Laws, IV., 189, Ch. 20, 1758-59.

² Court Records, XXIII., 60.

January 4, 1760,¹ a number of the directors and partners petitioned for a lottery in aid of the Land Bank, setting forth that the difficulties in the way of a fair adjustment of matters had always been great, and that the various vicissitudes which the Company and the Commissioners had experienced had so complicated affairs that relief of some sort was necessary. This petition was referred to a Committee which reported favorably on the 8th of February,² and submitted a draught of an act authorizing a lottery. The selectmen of the town of Boston were named as managers.

In the preamble to this Act, which was passed February 13, 1760,³ one reason alleged for permitting its passage was that a final period to the affairs of the Land Bank Company might be reached, and a stop put to the frequent applications to the Court in relation thereto, whereby the public affairs of the Province had been greatly interrupted. The managers were authorized to raise thirty-five hundred pounds by one or more lotteries. Details as to the methods of selling the tickets, carrying on the drawings and disposing of the money, were prescribed. The whole thing was to be completed within eighteen months from March 1, 1760. Instructions were given the Commissioners as to the application of the moneys which might be paid over to them by the managers, and they were directed during the term limited for finishing the lottery to forbear issuing any assessment.

The managers proceeded to carry out the lottery as best they could. Lotteries had been a favorite method of raising money for purposes which could not command pecuniary support, but just then were rather heavy on the market. The tickets were divided into three classes, and the drawings were to take place at different periods. As early as June, 1760,⁴ doubts arose whether the work of the

¹ Archives, 103, 439.

² Court Records, XXIII., 221.

³ Prov. Laws, IV., 288, Ch. 25, 1759-60.

⁴ Archives, 104-5. Court Records, XXIII., 393.

managers would not be wasted unless the Company itself could step in at the end and take in its own name the unsold tickets offered for a particular drawing. On the twelfth of June a resolve was introduced in the House, giving the Commissioners the power to take in behalf of the Company, at its risk and for its profit, unsold balances of tickets in the hands of the managers, provided the number of tickets thus taken did not exceed in value the net proceeds of those of the same class which had been sold. This resolve passed the House, and was duly concurred in by the Council.

When the eighteen months given for finishing the lottery had expired, there still remained in the hands of the managers about one-half the tickets of the third class. A resolve was therefore introduced in the House,¹ extending the time for the completion of the lottery for six months from December 1, 1761. This was duly passed, was concurred in by the Council, and consented to by the Governor.

This extension to the time for finishing the lottery expired June 1, 1762. The managers then represented that they still had a number of tickets unsold and that they could not finish the class they then had in hand, unless further time was given them. The first step taken was to pass in concurrence a resolution granting the request of the managers.² This was on the third of June. It evidently occurred to some of those interested that they had permitted the Act to expire before they had passed this resolve. A bill was therefore introduced reviving the former Act, and extending the date for finishing the work until December 1, 1762.³ This became a law June 12.

In the preamble to this Act it is stated that classes one and two had been drawn, and the greater part of the tickets for class three had already been sold.

¹ Court Records, XXIV., 138-9.

² Court Records, XXIV., 389.

³ Prov. Laws, IV., 583, Ch. 11, 1762-63.

On the ninth of September, 1762,¹ the managers again petitioned the General Court. Notwithstanding their best efforts, they still had on hand about thirteen hundred tickets. Under the authority given them the greatest number that they could place to the Company's account was about seven hundred. They must either abandon the proposed drawing or take the risk themselves. The postponement of the drawing would raise a general clamor. It was unreasonable to expect them as individuals to take any risk. They therefore asked for relief.

In response to this petition, it was voted and ordered that the drawing of the third class be postponed until Tuesday, the 28th of September, current.² That in the meantime the managers use their best endeavors to sell the rest of the tickets, and what should then remain unsold should be at the risk and profit of the Company. In case it should result in loss, the Commissioners were authorized "to hire y^e money on Interest to defray such deficiency to enable y^e managers to pay off y^e benefitt tickets." Authority was also given the Commissioners to assess the partners for the sum so deficient.

The lottery ultimately netted the Commissioners the sum £556. 15s. 6d.,³ less than a sixth of the sum authorized to be raised, and not enough to provide for the redemption of the bills. It became the duty of the second Commission to levy an assessment, and to collect the same.

On the eighth of September, 1763, they levied such an assessment on those of the partners living in the Province whom they judged able to pay, and after publication according to the terms of the Act, proceeded to issue their executions in the form prescribed by the Act. A special blank was printed for the purpose following the language of the Act.⁴

¹ Archives, 104, 235.

² Archives, 104, 237.

³ Archives, 104, 452. Report of Edward Sheaffe.

⁴ Suffolk Files, 83,629-1.

The outstanding bills now carried with them over twenty years' interest, and the Company was weighted down with the charges of these tedious and expensive proceedings. The greater part of the first assessment laid by the second Commission was readily collected, but when they proceeded to carry out the instructions given them in the Act and levy a second assessment upon the estates of those omitted in the first assessment, so as to raise money to refund those who had overpaid; to relieve those who had been compelled by possessors to redeem bills; and to defray charges, they experienced the same trouble as that which blocked the way of the assessment in 1749, and the Commissioners found themselves for the time powerless to do more.

June 15, 1764,¹ John Jewell and others, late partners, represented to the General Court, that in 1745 they had been assessed enough to redeem all outstanding bills, after which a lottery was granted, and since then a further assessment had been laid. That they had expected to be reimbursed instead of assessed, and they prayed for representation on a Committee which should examine, audit, and adjust the Commissioners' accounts. The House voted to grant the prayer of the petitioners, but the ~~Senate~~ non-concurred.

March 6, 1765,² Samuel Danforth, in behalf of himself and of the other Commissioners, submitted a narrative account of the various proceedings that had taken place in their efforts to adjust the affairs of the bank, the opposition they had met with, and the effect that it had produced. In the course of this narrative he uses language from which it may be inferred that the first assessment of the second Commission provided money enough to redeem all the outstanding bills. The second assessment was however resisted, and he prayed that the General Court would examine into affairs, make a reasonable allowance for the

¹ Court Records, XXIV., 266.

² Court Records, XXV., 418. Archives, 104, 324.

services of the Commission, and consider whether anything further could be done. This memorial was referred to a Joint Committee, which was afterwards authorized to sit in the recess of the Court and report at the next session.

If there was anything to be learned from the experiences of the Commissioners it was that there was no possibility of collecting the amounts still delinquent upon the assessments of 1744 and 1745. June 21,¹ the Committee apparently asked for more time, and they were then instructed to sit during the recess of the Court and report at the next session, and an order to that effect was passed.

January 30, 1766, the Committee to which Danforth's memorial was referred² reported that large amounts were delinquent on the old assessments, and that it was the first duty of the Commissioners to collect these amounts and also what was found in 1751 to be due from the directors. Meantime the last two assessments ought to be suspended. The Commissioners were also called upon to submit as full and clear a statement of the affairs of the Land Bank as the present circumstances would permit, to the General Court at their May session, 1766. This report was accepted and February 4 a Committee was appointed to bring in a bill according to its terms.

The Committee appointed to draught a bill, submitted its report to the Council February 19.³ Consideration of the same was referred by the House to the next session.

February 21,⁴ it was voted to call upon the several Commissions to finish the Land Bank, to lay before the General Court at the next session, a general statement of its affairs and a particular account of their several charges.

February 26, 1767,⁵ Edward Sheaffe, in behalf of a Committee to which had been referred the examination of the late Land Bank, filed an elaborate report, covering the

¹ Archives, 104, 324, *et seq.*

² Archives, 104, 370.

³ Court Records, XXVI., 185.

⁴ *Ibid.*, 192.

⁵ Archives, 104, 452.

history of the winding up of the Bank, and showing the amount which the Commissioners must account for.

The accounts of the first Commissioners were laid before the House, March 4, 1767,¹ and were referred to a committee to consider and report, and next day the order of reference was made to include the reports of both commissions.² [Friday?] March 14,³ the Council proposed to the House to adjourn until Monday and that the Committee on Land Bank affairs should sit forthwith. To this the House agreed. March 17,⁴ the report of the Committee was read in Council and sent down. March 19,⁵ the House voted that a Committee consisting of Capt. Sheaffe and two others and such as the Board might add should be a Committee to sit in the recess of the Court, to examine the accounts of the Commissioners of both commissions, to hear directors and partners, and to report at the May session what they should deem proper as to the accounts, and as to what was necessary to put an end to the scheme. The Council concurred in this resolve and named two members to serve on the Committee.

March 20, 1767,⁶ Danforth and Hatch having resigned and Goldthwait having removed to such a distance that he could not conveniently attend meetings, the two Houses met and chose three Commissioners.

On the same day,⁷ a Committee was appointed by concurrent vote of both Houses, to bring in a bill to empower Edward Sheaffe, Samuel Dexter and James Humphreys, Esquires, who had been chosen Commissioners for settling the Land Bank Company, to execute the trust to which they were appointed. The Committee reported the same day, and the bill became a law. The various powers and duties conferred upon the previous Commissioners were,

¹ Court Records, XXVI., 451.

² *Ibid.*, XXVI., 452.

³ *Ibid.*, XXVI., 488.

⁴ *Ibid.*, XXVI., 492.

⁵ Archives, 104. 438.

⁶ Court Records, XXVI., 501.

⁷ Archives, 104. 443.

by this Act, extended to the new Commissioners,¹ but until further order of the Court their functions were limited to the collection of assessments already levied. They were from time to time to report progress to the General Court.

The Committee appointed March 19 reported through Thomas Flucker, June 5, 1767.² The substance of this report is that there was £1,740. 7s. 3d. due from the directors to the partners, with interest from September 9, 1740, which the Committee thought should be paid in equal proportion by the surviving Directors, and by the estates of the deceased Directors, allowance being made for what had been paid by the Directors towards the assessment of 1763. In addition to the foregoing, there were certain specific sums which had previously been found to be due from individual Directors, these also were said to be due.

Those sums and what could be collected from delinquents, the Committee were of opinion should be applied in satisfaction of the debts of the Company. They believed it to be impracticable to attempt any relief of partners who believed that they had been unjustly assessed. To accomplish what the Committee advised, they recommended that a new bill be brought in. Consideration of this report was on the 25th of June postponed to the next session.³

In December, 1767, Jeffries and Danforth filed a new account.⁴ In 1751, the Committee of which John Wheelwright was chairman, had made a report, and certain of their findings had been accepted. The Commissioners, therefore abandoning any attempt to make an exact statement prior to the loss of their papers accepted the findings of Wheelwright's committee as final, and filed their accounts covering the period after April, 1751. They prayed that these be accepted, and that they might be discharged.

¹ Province Laws, IV., 919, Ch. 19, 1766-67.

² Archives, 104, 449.

³ Archives, 104, 483.

⁴ Archives, 104, 495.

The reports of the Commissioners specified as follows : one signed Samuel Danforth and Nathaniel Hatch, one signed John Jeffries, and one signed Samuel Danforth, were, on the 5th of January, 1768, referred to a Committee for consideration and report.¹

January 14, the hearing of the partners and directors which was to have taken place by appointment at the previous session, was postponed.² On the 21st, it was again postponed.³ On the 27th, the hearing was held in the Representatives' Room, the Council being there present.⁴ At this hearing, an exception was taken by Mr. Auchmuty to the propriety of the General Court taking cognizance of the matter. The hearing was therefore, on the 28th adjourned to the next week, and Mr. Auchmuty was directed to proceed at that time to apply the rules of law he had advanced to the particular case under consideration. All other parties concerned were, at the same time, entitled to be heard by counsel learned in the law. Mr. Auchmuty was requested to reduce his pleas to the jurisdiction of the Court, to writing, and to file the same in the office of the Secretary.

February 4,⁵ there was an interchange of courtesies between the two Houses. The Council notified the Board that it was ready to join the House in hearing Mr. Auchmuty if he desired to be heard further upon the subject. The House in return inquired of the Council if they had settled the point raised by Mr. Auchmuty as to the jurisdiction of the General Court. The Council replied that they had only settled the point of jurisdiction so far as to be willing to hear Mr. Auchmuty's arguments on that point, if he was desirous of presenting them. The next day, the Board called for the reports on Land Bank affairs,⁶ and the papers which had accompanied them.

¹ Court Records, XXVII., 120.

² Archives, 104. 510.

³ Archives, 104, 515.

⁴ Court Records, XXVII., 162, 163.

⁵ Court Records, XXVII., 179.

⁶ Court Records, XXVII., 180.

The questions which perplexed the General Court may be inferred from the form in which was passed on February 6, a resolve originally introduced on the 3d of February.

The following was the form in which it went through :¹

In the House of Representatives, February 3, 1768.

The House having taken into consideration the plea offered by Robert Auchmuty, Esq., to the jurisdiction of this Court, in the hearing ordered to be had before the whole Court, on Wednesday, the 27th of January last, which hearing was then had before the two Houses only (His Excellency having been prevented being present, by indisposition). Upon the report of a committee of both Houses, the last session, wherein the Committee reported that a Bill be brought in to assess the sum of seventeen hundred and forty pounds $7/3$ with interest from September 9, 1740, on the late Directors of the Land Bank Company as due to the Partners of said Company. The said plea having been duly considered and it appearing that the jurisdiction of this Court, in the case mentioned, hath been already established by sundry Acts of Parliament which have received the Royal sanction, Resolved, that this Court will proceed to a hearing of the said affair, on Tuesday next, the 9th instant, at ten o'clock in the forenoon, upon the merits of the case. And that the parties concerned may then have liberty of being heard by themselves or by counsel learned in the law.

An affidavit was made by George Leonard, February 8,² at the request of Robert Auchmuty, to the effect that in October, 1740, an agreement was circulated among the partners, authorizing the use of a certain proportion of their bills in trade; that he personally declined to participate in the trade. At the same time, Robert Auchmuty openly refused to have anything to do with the trade. That both he and Auchmuty declined to serve upon the committee for the adjustment of the affairs of the Bank. That five of the directors were appointed to receive and burn the bills, whose names he gave to the best of his recollection. Feb-

¹ Archives, 104, 518.

² Archives, 104, 520.

ruary 9,¹ the hearing appointed by the resolve of the 6th took place. Auchmuty claimed that the committee of the General Court in 1751 settled all accounts between the directors and partners² and that the payment by the directors of the balances then found to be due from them must protect them from any further demands on account of said Bank. Until the Court should determine whether this point was sustained, Auchmuty declined to proceed further in his defence.

The Court declined, on the 10th of February,³ to express any opinion upon this point until they should have heard all that Auchmuty had to offer, and appointed the next succeeding Friday at ten o'clock, for a hearing, when the Committee were requested to be present and explain their reasons for finding the sums said to be due from the directors, and when opportunity would be afforded for all concerned to be heard. On the 12th,⁴ the Committee were ordered to reduce to writing the reasons upon which they framed their report, and to serve a copy on Auchmuty. Auchmuty was also ordered to reduce his answer thereto to writing and to lay the same before the Court before Friday, the 19th of February.

On the 20th,⁵ the report of the Committee on the affairs of the Land Bank was read and recommitted.

On the 26th,⁶ the Committee to which the reports of the Commissioners had been referred, reported. A Committee was appointed on the part of the House, March 1,⁷ to take the accounts under consideration, to sit during recess, to hear Commissioners, directors and partners, and to report next session what should be allowed each Commissioner for his services. The Council concurred in this action on the 3d of March, and completed the Committee.

¹ Court Records, XXVII., 185.

² Archives, 104, 523.

³ Archives, 104, 523.

⁴ Archives, 104, 525.

⁵ Court Records, XXVII., 228.

⁶ Archives, 104, 533.

⁷ *Ibid.*

On the 3d of March,¹ an order was passed authorizing the Committee which was appointed February 12, to reduce to writing the facts and reasons upon which they framed their report relative to the Land Bank Company and which had not been able to conclude its work, to prepare the same during recess of the Court, to serve a copy on Robert Auchmuty, so that the directors might make answer at the May session.

There is a report on file² which deals with the question of the liability of the directors and which may be the report of this Committee. It is not dated and is not signed, and its character and purpose can only be identified by its contents.

Under date of June 7,³ the following entry is to be found : —

In Council. The Committee appointed the last session of the General Court to reduce to writing the reasons and evidence upon which their report relative to the Land Bank or Manufactory Scheme was founded, and to deliver the same to Robert Auchmuty, Esq., made report of their doings thereon, and thereupon ordered that the same be considered on Friday next, at ten o'clock in the forenoon, and that Robert Auchmuty be notified of this order, that he may then put in a reply thereto if he see cause.

In the House of Representatives, read and concurred.

The foregoing is the last entry in the records of the Court in which the affairs of the Land Bank are under consideration of the legislators. One other entry, made two years thereafter, would indicate that in the interim the whole thing had permanently disappeared. On the 9th of November, 1770,⁴ a petition was presented by Samuel Dexter, James Humphreys and Edward Sheaffe, for certain allowances for services and for expenses incurred by them in the examination of the affairs of the Land Bank in 1766

¹ Archives, 104, 539.

² *Ibid.*, 104, 508.

³ Court Records, XXVII., 321.

⁴ Court Records, XXVIII., 359. Archives, 104, 443.





supplied, and kept it in the field for four years; built and manned a navy great enough to blockade the whole southern coast.

During the war it expended more than \$4,000,000,000 obtained by taxing a willing people and borrowing from a cautious public. In 1862 unpaid soldiers in the field and unpaid requisitions on the table of the Secretary of the Treasury compelled it to resort to the dangerous expedient of issuing legal-tender notes. Then followed the acts of February and July, 1862, and of March, 1863, providing for the issue of four hundred and fifty millions of the well-known "greenbacks." Rapid depreciation followed, and the greater the depreciation the greater the necessity for more. What should be done? There was a beaten path trodden by the world before. It was easy to take that, and the temptation was fearful to set again the printing presses at work and make the money so much required. But the republican party, with a sagacity such as the world had never seen before and a courage no nation or party had ever manifested, stopped, called a halt, and enacted into law its solemn declaration—

Nor shall the total amount of United States notes issued or to be issued ever exceed \$400,000,000, and such additional sum, not exceeding \$50,000,000, as may be temporarily required for the redemption of the temporary loan.

This declaration, made in the midst of distress, necessity, and almost overwhelming temptation, was the citadel of the financial integrity of the Republic, and the assaults upon it have been frequent and fierce. There have been foes without always, sometimes weak friends within. The democratic party, denouncing the issue of these notes when they were necessary to save the life of the nation, with a strange inconsistency has clamored at its gates for more when peace had been secured and safety made certain. An army of greenbackers, with banners, has assailed it. With ranks recruited from weak, vacillating, and disappointed republicans, swollen to respectability in numbers by the unprincipled followers of a false light called democracy, it has made assault after assault. At one time there was weakness within the walls, and timid counsels threatened its overthrow, but shortly weakness succumbed to strength and timidity gave way before courage. Every assault from without has been repelled, every danger from within averted, and the financial integrity of the country has been preserved. The danger has passed, and now even a time-serving democracy shouts vigorously for hard money—so vigorously that the gentleman from Iowa [Mr. WEAVER] charges it with treachery and threatens its destruction.

The "greenback," worth almost as much as gold the day it was first issued, gradually sinking in value until it fell to thirty-eight cents on a dollar, through the fidelity, sagacity, and courage of the republican party has appreciated until to-day it is receivable at par with gold in every great commercial center of the world. This achievement is without a parallel in history. Fearful of the effect upon our credit of the issue of paper money with no provision for its redemption, the light of experience disclosing only repudiation in the end, the republican party in Congress, February 22, 1862, wisely enacted what is now section 3694 of the Revised Statutes:

Sec. 3694. The coin paid for duties on imported goods shall be set apart as a special fund, and shall be applied as follows:

First. To the payment in coin of the interest on the bonds and notes of the United States.

Second. To the purchase or payment of 1 per cent. of the entire debt of the United States, to be made within each fiscal year, which is to be set apart as a sinking fund, and the interest of which shall in like manner be applied to the purchase or payment of the public debt, as the Secretary of the Treasury shall from time to time direct.

Third. The residue to be paid into the Treasury.

This was virtually a promise to pay interest on our bonds in coin, and to provide for the gradual extinction of the principal in the same. This law, wise and healthy as it was, has met with a like experience to that of the limitation upon the issue of legal-tender notes. It has been reviled, execrated, and fiercely denounced. Piteous appeals have been made in behalf of the greenback, "the saviour of our institutions;" charges hurled at us that we have dishonored them in refusing or "receive them for customs dues; specious pleas entered in every court that we, with the same hand that scattered them abroad,

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March 20, 1880

AN EXTRACT FROM A SPEECH

OF

HON. WILLIAM P. FRYE,

OF MAINE.

IN THE

HOUSE OF REPRESENTATIVES,

SATURDAY, MARCH 20, 1880.

The House of Representatives being in session for debate only on the funding bill—

Mr. FRYE said:

Mr. SPEAKER: I cannot allow this opportunity to pass without calling the attention of the gentleman from New York and the country to our marvelous financial history of the last twenty years; nor without claiming that a success unparalleled in the world's experience is largely due to the patriotism, fidelity, and steadfastness of the republican party. Like a rock it has stood firmly against the waves of folly, inflation, and repudiation, saving from their overflow the financial integrity of the nation.

What does the record show? During the last democratic administration, under the act of December, 1860, Treasury notes were issued and sold to the amount of \$10,010,900, at a rate of interest from 6 to 12 per cent., nearly five millions of them, at 12 per cent. Other offers were received ranging from 15 to 36 per cent., and refused. Under the act of February, 1861, a loan of twenty-five millions of United States sixes, on twenty years' time, was offered, about eighteen and a half millions sold at a fraction over eighty-nine cents on the dollar, and the balance withdrawn.

"So low had the credit of the Government fallen that the Secretary of the Treasury, in January, 1861, suggested to Congress, as a financial resource, that the several States be asked, as security for the repayment of any money the Government might find it necessary to borrow, to pledge the deposits received by them from the Government under the act for the distribution of the surplus revenues in 1836; the Secretary believing that a loan contracted on such a basis of security, superadding to the plighted faith of the United States that of the individual States, could hardly fail to be acceptable to capitalists."

Before March, 1861, seven States had seceded; a confederate government had organized; their president and vice-president had been elected; their congress had convened; an army had been raised; General Twiggs had surrendered United States troops in Texas; and a democratic President of the United States had impotently yielded, by the declaration that under our Constitution there was no power in Congress or elsewhere to coerce a seceded State. March 4, 1861, the republican party came into possession. Into possession of what? Of a disorganized, dismembered Republic, with its forts, arsenals, navy-yards, soldiers, militia, custom-houses, and post-offices seized by an enemy, without any efficient army, with its little navy scattered to the four corners of the earth, and with this bankrupt Treasury. But it was equal to the occasion. It raised a mighty army; equipped

ally appreciated. They were worth in July, 1864, thirty-eight cents on a dollar; in July, 1866, sixty-six cents; in July, 1867, seventy-one cents; in July, 1869, seventy-three cents; in July, 1870, eighty-five cents. But the enemy during all this time was sowing tares; his sappers and miners were continuously at work to destroy the credit of the United States. Of course this was not their avowed purpose, but it was the inevitable tendency of their operations. They were undoubtedly inspired by a blind determination to overthrow the republican party, and, Samson like, seemed to ignore the fact that the means adopted would topple over this magnificent temple, burying them beneath its ruins.

In the early days of the war the democratic party began to appeal to prejudice and ignorance and arouse hostility to the United States securities because they were not taxed. Attempt after attempt was made to impose a tax upon them. The Constitution, as expounded by Chief Justice Marshall in 1819, (see *McCulloch v. The State of Maryland*), clearly "left no power to the States, by taxation or otherwise, to retard, impede, burden, or in any manner control the operations of the constitutional laws enacted by Congress to carry into effect the powers vested in the National Government," and there had been since an unbroken line of decisions to the same end. But to save the public credit harmless against these attacks the republican Congress was obliged to reaffirm in statutes this constitutional exemption. It did so twice in 1862, again in 1863, twice in 1864, twice in 1865, again in 1870. And section 3701 of the Revised Statutes—"all stocks, bonds, Treasury notes, and other obligations of the United States shall be exempt from taxation by or under State or municipal or local authority"—is a monument to the folly of the opposition and to the determined purpose of the republican party to strengthen the credit of their country. The right on the part of States and municipalities to tax the national obligations would enable them to cripple the Government in time of war; might make power weakness, turn victory to defeat. No nation can allow it, and no patriotic citizen ought to desire it.

From 1867 onward there was a vigorous warfare waged against the coin character of the bonds, principal and interest. Again a republican Congress came to the rescue of our imperial credit, and in March, 1869, to strengthen and establish it, enacted into law these provisions, now contained in section 3603 of the Revised Statutes:

The faith of the United States is solemnly pledged to the payment in coin or its equivalent of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest-bearing obligations of the United States, except in cases where the law authorizing the issue of any such obligations has expressly provided that the same may be paid in lawful money or other currency than gold and silver. * * * The faith of the United States is also solemnly pledged to make provision at the earliest practicable period for the redemption of the United States notes in coin.

From that day the assaults upon this statute, in Congress and out, by democrats, greenbackers, nationalists, and fusionists, have been constant, but the law still stands as a witness to republican fidelity to principle. The nation was receiving the benefit of this fidelity in an improved credit, so that its legal-tender notes in July, 1870, were worth eighty-nine cents; and, relying upon this improved credit, a republican Congress, July 14, 1870, and January, 1871, passed the acts for the refunding of the bonded debt at a lower rate of interest, known as "the funding acts," under which the 5 per cent. bonds coming due next year were issued; also authorizing the issue of two hundred million 4 per cent. bonds, redeemable after fifteen years, and seven hundred millions of 4 per cent. bonds, redeemable after thirty years. It was further provided that these bonds should not be sold for less than par in coin.

The transactions under these acts I will come to before I close. From this time to 1875 the legal-tender notes were fluctuating between eighty-two and ninety-two, and a republican Congress determined that good faith required their payment; therefore, January 14, 1875, they passed and the President approved "An act to provide for the resumption of specie payments."

SEC. 3. * * * And on and after the 1st day of January, A. D. 1875, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the assistant treasurer of the United States in the city of New York, in sums of not less than \$50.

From that day, to January, 1879, this law has been the point of attack. Every conceivable combination has been formed against it; new parties sprang into existence whose only platforms were opposition to it; State campaigns have been run with this the only issue, and it entered largely into the last presidential contest. It has been discussed in Congress without limit, in State Legislatures, in town-houses, in school districts, all over the country. It was boldly declared that it would bring swift ruin upon the country; that the "bloated bloodhounds of Wall street" would make a run upon the Treasury and, in the twinkling of an eye, deplete it of its hoarded gold, bringing bankruptcy upon the nation; that our refunding operations would be paralyzed, and our credit destroyed.

It has been fiercely denounced as "the robber resumption act," "the thief from the poor," "the iron heel of despotic power." It has been charged that it was enacted at the demand of the rich, in their interests, to make them richer, the poor man poorer. In these Halls and from every platform in the land it had been proclaimed that "it would stop the wheels of business," "it would close every forge and put out every furnace fire," "it would seal up every open-mouthed mine," "it would stop every revolving mill-wheel," "it would make every honest toiler a tramp." So fierce and noisy was the cry that it frightened the whole democratic party into the "soft-money" ranks, made the venerable "bullionists" forget gold, their idol for fifty years, and turn devoutly to the worship of paper gods, made the knees of timid republicans tremble and shake like Belshazzar's at the feast. Scores of bills for the repeal or modification of this law have been introduced into Congress, and car loads of speeches denouncing it have been made, printed, and scattered over the country. Once an act for its repeal passed the House. Amid all the din, the confusion, the babel of tongues, the noise and war of democrats, greenbackers, nationalists, communists, and demagogues, the main body of the republican party stood by their guns, and on January 1, 1879, the resumption provided for by law became resumption in fact as silently as the stars move in their orbits.

Where is the national bankruptcy, the run upon the Treasury, the depletion of its gold, and what now of the paralysis which was to strike refunding? The records of the Treasury Department show that the amount of coin paid out in redemption of legal-tender notes from January 1, 1879, to December 31, 1879, is \$11,456,536; but during the same period legal-tenders were received in payment of customs dues to the amount of \$109,467,456. It may also be stated that during the same period the Treasury paid out on account of coin obligations more than \$550,000,000 in legal-tender notes. This has been done by consent, not by law, because resumption made the greenback as good as gold, while in form it was more convenient for use. There are millions more of gold in the Treasury now than there were on the day of resumption, and there is to-day before the Committee of Ways and Means a bill requiring the Secretary of the Treasury to devote a part of it to the purchase of bonds.

As to the influence of resumption upon refunding, the information from the Treasury Department shows that it was most beneficial. During the eight years previous to resumption the Government had been able to sell for refunding purposes only \$500,000,000 of five percents, \$185,000,000 of four and one-half percents, and about \$175,000,000 four percents. Then came specie payments, and in the three and a half months following January 1, 1879, there were sold \$540,000,000 of 4 per cent. bonds and certificates.

Where is the widespread ruin? Where are the silent forges, the fireless furnaces, the motionless mill-wheels, the honest toilers turned to tramps?

Why, the whole aspect of the country was changed by resumption. Confidence was restored, timid capital recovered its courage, depressed business became active and elated, sluggish discontent gave way to buoyant happiness, adversity yielded to prosperity, the silent forges became noisy, the fireless furnaces were lighted, turning the darkness of night into the light of day, and the honest tramps become busy toilers. There are those so blind they will not see, but the way-faring man, though a fool, need not err in the signs of the times. The stock lists, the bond quotations, the dividends declared, the new enterprises started, are sure indications of a renewed life and activity. In my own city of 20,000 inhabitants

the manufacturing stocks alone have increased in value, since January, nearly \$3,000,000. Iron has doubled in value, and steel rails have gone from a ton to \$85, and yet the railroad companies have ordered over a million of the last year. From 1868 to 1873 the average annual area of wheat in this country was in round numbers twenty millions; last year, thirty-three millions; and from 1868 to 1873, thirty-four millions; last year, fifty-two millions; and the increase in oats, rye, and barley, equally great. From 1868 to 1873 the balance trade against us was two hundred and seventy-eight and a half millions, last year the balance in our favor was \$269,333,000. From a reliable source I quote the following table, as a comparison of a few articles of export of 1873 with that of 1879 :

ARTICLES.	1873.	1879.	Gain.
Breadstuffs.....	\$69,024,059	\$210,255,828	\$141,231,769
Provisions.....	30,436,642	116,858,650	86,421,008
Living animals.....	2,033,447	11,754,359	9,720,912
Refined sugar.....	1,142,824	6,164,024	5,021,200
Total.....			\$243,484,989

In 1868 we were doing business on an irredeemable currency, and were therefore unable to compete with foreign manufacturers. Let us compare the value of a very few manufactured articles of 1868 with the exports of 1879, as follows :

ARTICLES.	1868.	1879.	Gain.
Agricultural implements.....	\$673,381	\$2,933,388	\$2,260,007
Copper and brass manufactured.....	496,369	3,011,521	2,515,152
Cotton manufactured.....	4,871,064	10,853,950	5,982,886
Iron and steel manufactured.....	5,491,306	12,766,294	7,274,988
Leather, copper, and lead manufactured.....	607,105	6,800,070	6,192,965
Oils.....	19,752,142	25,999,862	6,247,720
Tallow.....	2,540,227	6,934,940	4,394,713
Total.....			\$44,310,711

The railroads tell the same story, and the exchanges repeat it. I quote from the *New York Tribune* of March 1 :

Railroads continue to report very satisfactory gains in gross earnings. Among the large proportionate gains reported since January 1 are \$198,000, or 140 per cent., on the St. Louis and Francisco; \$276,000, or 82 per cent., on the Missouri, Kansas and Texas; \$35,000, or 69 per cent., on the Burlington, Cedar Rapids and Northern; \$301,000, or 53 per cent., on the Iron Range; \$52,000, or 50 per cent., on the Chicago and Alton; \$186,000, or 38 per cent., on the Atchafalaya and Santa Fe; \$95,000 on the Milwaukee and Saint Paul; \$359,000 on the Philadelphia and Reading; and \$246,000 on the Louisville and Nashville, each 37 per cent., and \$206,000, or 36 per cent., on the Wabash Pacific.

The exchanges at New York for the month of February, 1880, were larger by 55 per cent. in February, 1879, and the increase in amount of stock transactions has been smaller than the increase in other exchanges. At Boston, during three weeks of February, the exchanges amounted to \$812,000, against \$140,000,000 in 1879, a gain of 52 per cent.; at Philadelphia, for the same period, the gain was 63 per cent.; at Chicago, 51 per cent.; at Milwaukee, 55 per cent.; at Pittsburgh, 63 per cent.; at Saint Louis, 43 per cent.; at Baltimore, 26 per cent.; and at New Orleans, 18 per cent. At other minor places the increase in transactions was also large.

But, Mr. Speaker, why need I say more in this direction? Prosperity has come, and, if we are wise, has come to stay.

I recur now to the refunding act of July, 1870, and call the attention of the House to the operations under it as further evidence of the wisdom of the national Congress in strengthening the public credit. No action was taken under the law until March, 1871, when Secretary Boutwell invited subscriptions. On the 1st of August he sold for coin at par or exchanged for outstanding securities about \$75,000,000 of the five percents authorized by the refunding act, then made arrangements with associated bankers by which he sold during the remainder of his term of office \$125,000,000, making, in all, \$200,000,000 sold by

y Richardson continued substantially the arrangement made by his
r, and sold, in round numbers, \$120,000,000 of the same kind of bonds.
Bristow succeeded Mr. Richardson, and sold the balance of the per-
unauthorized, being, in round numbers, \$180,000,000. Secretary Morrill,
Mr. Bristow, and made a contract for the sale of the \$300,000,000 of 4
bonds authorized by the refunding act, under which he sold during his
fice \$90,000,000. Under this same contract Secretary Sherman, who
Mr. Morrill, sold \$95,000,000 of the same bonds. In all these transac-
o this point the 1 of 1 per cent. provided by law for the payment of
in refunding was used in paying commissions and other expenses ap-
to the issue of the bonds. Secretary Sherman also sold of 4 per cent.
refunding \$70,347,550; but of the 1 of 1 per cent. allowed for expenses
ditions there still remains unexpended about \$1,100,000.
a saving in interest on account of refunding the debt from 1871 to June
will be \$52,139,593.50. The saving in interest by reason of reductions
incipal of the public debt between August 31, 1873, and June 30, 1879, is
49.18, making a total saving by reduction and refunding, not including
reductions by purchases made during the fiscal year 1881, of \$70,626.
The present annual saving in interest by refunding is \$19,901,816.51.
his refunding, February 1, 1880, the debt of the United States was as

bonds, including certificates.....	\$740,845,916 00
bonds.....	240,000,000 00
bonds.....	500,400,000 00
bonds.....	200,000,000 00
Navy pension fund.....	14,000,000 00
.....	1,781,686,550 00
.....	294,510,000 00
.....	12,000,445 00
.....	3,500,000 00
.....	12,000,445 00
.....	2,301,525,000 00
.....	20,742,208 00
.....	\$2,000,782,792 00

al interest being less than \$63,030,000, in place of the annual interest of
50,977,697.

per cent. and the 5 per cent. bonds are all redeemable at the option of
rument during this and next year, amounting to a little more than
00. To redeem these, the Committee of Ways and Means have re-
e bill under consideration and have expressed the opinion that it can be
omplished. I certainly hope they may be right. If they are, the annual
ill be reduced to a little over \$65,000,000.

magnificent financial achievement! When has it been paralleled in
?

l bearing a lower rate of interest than 4 per cent. has never been sold at
y country, yet our four percents are at a premium of 7 per cent. I call
to the rates in England and France, as shown by these tables.

be seen that while the English consols are three percents, they always
discount; that the debt of England in 1878 was a little over \$3,800,000,
e annual interest and cost of management" were \$142,033,756; so that
st must have exceeded 3 1/2 per cent.

each three percents sold as low as 60; their fives as low as 82; and no
eir bonds was ever made at rates so favorable as ours.

r. Speaker, I should not do justice to the republican party if I should stop
magnificent record. Its eye was not single to the reduction of the debt,
enghtening of our credit, to the refunding at a lower rate of interest. It
got the people, nor was unmindful of the burdens they were bearing,
nnounced at the earliest possible moment the lightening of them, as will
y this table:

TABLE NO. 1.—Statement showing estimated reduction in internal-revenue receipts arising from reduction in taxes to June 30, 1879.

DATE OF ACT.	Annual reduction.	Years to 1879.	Total reduction to 1879.
July 1, 1866	\$45,000,000	12	\$540,000,000
March 2, 1867	40,000,000	12	480,000,000
February 1, 1868	25,000,000	11	275,000,000
March 3, 1868, and July 24, 1868	15,000,000	11	165,000,000
July 14, 1870	60,000,000	9	540,000,000
July 1, 1871	14,257,000	7	100,000,000
Total			\$2,834,057,000

There has also been a reduction in duties, as will appear in No. 2, annexed table.

In the matter of reduction of tariff duties it will be seen from table No. 2 that the rate of duty on all goods imported, free and dutiable, has decreased since the year 1868 from 44.087 per cent. to 28.975 per cent. Assuming that the same amount of goods had been imported with the rate of duties fixed at the rate existing in 1868, the total amount collected would have been \$2,875,574,308.18, or \$729,193,592.88 more than was actually collected.

From table No. 1 it will be seen that the total reduction in internal-revenue receipts arising from reduction of taxes to June 30, 1879, is \$2,834,057,000; making a total reduction of customs and internal-revenue dues of more than \$5,500,000,000. In other words, had there be no reduction of taxes, and other conditions remaining the same, the people would have paid this latter sum as taxes to the Government during the period in question in addition to what they have actually paid. This amount would be sufficient to wipe out the present public debt and leave a surplus of \$1,500,000,000.

Now, Mr. Speaker, let me summarize. The record shows that in 1860 the rate of interest for Government loans was 12 per cent.; that the amount required could not be obtained for that; that the republican party, in 1861, came into possession of a dismembered nation and a bankrupt Treasury; carried on to a successful issue a four years' war; expended more than \$4,000,000,000; in 1865 found the restored Republic owing about \$2,500,000,000, \$400,000,000 of which were long-defender notes, greatly depreciated, and still more to depreciate; legislated from time to time to strengthen the credit of the country; to the same end, for several years, paid that debt at the rate of one hundred millions a year, the whole amount paid to the present date being about \$800,000,000; provided for refunding at a lower rate of interest and for the resumption of specie payments; refunded the whole debt refundable; resumed specie payments; so appreciated the legal-tender notes that they are at a premium; so strengthened the national credit that the bonds of the United States bearing 4 per cent. interest are at a premium of 7 per cent.; that the Committee of Ways and Means insist that the balance of the debt can be easily refunded at a rate of 3½ per cent.; reduced the annual interest on the debt from one hundred and fifty-one millions to about eighty-four; took every step in these directions, from the first day of the war to now, in the face of determined opposition; never retraced a step, though the temptations to do so were almost overwhelming, though hard times, panics, and popular clamor beset them fearfully in the face; at the same time reduced the burdens the people were bearing by repealing in revenue taxes alone from July, 1866, to July, 1872, over \$232,000,000, saving the people to the present time from the payment of nearly \$4,000,000,000.

Thus is the glorious financial record of the republican party, and, sir, almost in the presence of the history itself, I dare declare that no party, no nation in the whole of the world, from the day of its creation to now, can show its parallel, and yet the gentleman from New York says, "The management of the public debt since 1865 has not been the best that could have been devised. There has not been a steady policy followed on principles of enlightened statesmanship."

5
5-1869
Necessity of Resuming Specie Payments.

Esch 4618.61.11

SPEECH
OF
HON. SAMUEL HOOPER,
OF MASSACHUSETTS,

DELIVERED
IN THE HOUSE OF REPRESENTATIVES,

FEBRUARY 5, 1869.

"Men, in their bargains, contract, not for denominations or sounds, but for the intrinsic value."—*Locke on Money*.

WASHINGTON:
F. & J. RIVES & GEO. A. BAILEY,
REPORTERS AND PRINTERS OF THE DEBATES OF CONGRESS.
1869.

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Econ - 4618.61.1

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1869.

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Necessity of Resuming Specie Payments.

The House being in the Committee of the Whole on the state of the Union—

Mr. HOOPER, of Massachusetts, said:

Mr. CHAIRMAN: A Representative of the people who has sincerely at heart the prosperity and financial credit of the nation can consider at this time no question of more vital importance than the condition of the public debt and of the currency of the country. I make no apology, therefore, for occupying the time of the House and asking their attention to the views in regard to these questions which I have reached after patient and careful consideration.

During the first term of President Lincoln's administration the demands for money to maintain the forces so suddenly raised to put down the rebellion, and to carry on the protracted war which ensued, were necessarily vast in amount, and, so long as the war continued, too imperative to await the slow processes of ordinary financial negotiations. Money was sought for and obtained at almost any rate at which it could be had, and in the forms best suited to the choice of lenders. The public debt, therefore, was represented in a great variety of forms, at different rates of interest, and much of it payable within comparatively short periods.

Among the different forms of public debt were "certificates of indebtedness," payable within one year from their date; "temporary loans," payable at ten days' notice; "compound interest notes," principal and interest payable at maturity; and "seven-thirty Treasury notes," convertible at the holder's option

into five-twenty bonds or payable in three years from date. These had been issued at various periods, so that a large amount became due soon after hostilities ceased. And, in addition, there were overdue and unsatisfied requisitions on the Treasury, which, at one time, amounted to more than one hundred million dollars.

Ample provision was made in the laws authorizing this temporary debt for funding it as it became due. To those who have not closely watched the operations of the Treasury it may perhaps be matter of some surprise to learn that, since the commencement of President Lincoln's second term of office, all that portion of the public debt consisting of so many different forms due within comparatively short periods, has now been funded in pursuance of those laws; and that the Treasury cannot be called upon for many years to provide for any amount beyond the interest, unless it may be for a portion of the three per cent. certificates, which were issued to the banks in exchange for compound-interest notes.

The following statement exhibits the condition of the public debt at the beginning of the last and of the present fiscal years, and its condition on the 1st of January, 1869; the first two taken from the annual report to Congress of the Secretary of the Treasury, and the last from the monthly statement published by the Treasury Department. By comparing the amounts at the several dates, the precise changes may be seen which have occurred in the status of the public debt during the intervals indicated:

	July 1, 1867.	July 1, 1868.	January 1, 1869.
Five per cent. bonds due December 31, 1870.....	\$7,022,000 00	—	—
Five per cent. bonds due December 31, 1873.....	27,000,000 00	\$27,000,000 00	\$7,022,000 00
Five per cent. bonds known as ten-forties.....	171,408,350 00	194,566,400 00	194,567,300 00
Total at five per cent.....	\$198,431,350 00	\$221,568,400 00	\$221,589,300 00
Seven-thirty Treasury notes convertible into five-twenties.....	283,746,350 00	293,677,300 00	283,677,400 00
Three per cent. bonds known as five-twenties.....	488,647,425 00	26,531,000 00	—
Three per cent. bonds known as five-twenties.....	1,127,531,800 00	1,557,841,000 00	1,602,508,650 00
Total funded debt.....	\$2,068,356,925 00	\$2,088,615,100 00	\$2,107,835,350 00



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March 10, 1898

AN EXTRACT FROM A SPEECH
OF
ON. WILLIAM P. FRYE,
OF MAINE.
IN THE
HOUSE OF REPRESENTATIVES,
SATURDAY, MARCH 20, 1880.

House of Representatives being in session for debate only on the funding bill—

FRYE said:

SPEAKER: I cannot allow this opportunity to pass without calling the attention of the gentleman from New York and the country to our marvelous financial success of the last twenty years; nor without claiming that a success unparalleled in the world's experience is largely due to the patriotism, fidelity, and steadfastness of the republican party. Like a rock it has stood firmly against the waves of inflation, and repudiation, saving from their overflow the financial integrity of the nation.

What does the record show? During the last democratic administration, under the act of December, 1860, Treasury notes were issued and sold to the amount of \$10,000, at a rate of interest from 6 to 12 per cent., nearly five millions of them at 10 per cent. Other offers were received ranging from 15 to 36 per cent., and declined. Under the act of February, 1861, a loan of twenty-five millions of United States sixes, on twenty years' time, was offered, about eighteen and a half millions at a fraction over eighty-nine cents on the dollar, and the balance withdrawn. So low had the credit of the Government fallen that the Secretary of the Treasury in January, 1861, suggested to Congress, as a financial resource, that the seceded States be asked, as security for the repayment of any money the Government might find it necessary to borrow, to pledge the deposits received by them from the Government under the act for the distribution of the surplus revenues in 1836; the Secretary believing that a loan contracted on such a basis of security, superadded to the plighted faith of the United States that of the individual States, could not fail to be acceptable to capitalists.

Before March, 1861, seven States had seceded; a confederate government had been organized; their president and vice-president had been elected; their congress had been organized; an army had been raised; General Twiggs had surrendered United States troops in Texas; and a democratic President of the United States had indignantly yielded, by the declaration that under our Constitution there was no right in Congress or elsewhere to coerce a seceded State. March 4, 1861, the republican party came into possession. Into possession of what? Of a disorganized, impoverished Republic, with its forts, arsenals, navy-yards, soldiers, militia, custom-houses, and post-offices seized by an enemy, without any efficient army, with the navy scattered to the four corners of the earth, and with this bankrupt treasury. But it was equal to the occasion. It raised a mighty army; equipped,

strengthened and sustained abroad because foreign aid for the sale of our bonds was not sought during the war, and that this self-reliance was a pecuniary advantage to the country. The people of the United States have felt a just and commendable pride in maintaining that position before the world. To have the interest on the public debt paid at home to our own people, rather than abroad to foreigners, was not only gratifying to their pride, but its value and importance can hardly be too highly estimated. While there were dangers and doubts the loyal people of the country sustained the Government, furnished whatever was required to carry on the war, and owned nearly the whole amount of the public debt up to the time when hostilities ceased.

It is now supposed that more than one quarter of the funded debt is owned abroad, and the question naturally suggests itself, what value has been received in exchange for the many hundred millions of Government bonds sent out of the country since our final victories in April, 1865—victories which removed all doubts in regard to the validity and security of the debt incurred to suppress the rebellion.

Instead of going abroad to seek a demand for our bonds, it may still be doubted whether the credit of the country, and consequently the value of the bonds, would not be higher, both at home and abroad, if foreigners should be left to seek for them here.

The loyal and patriotic people throughout the North who furnished money had faith in the Government, and were willing to risk all their money on that faith. Those who sympathized with the rebellion denounced them as foolishly credulous, and warned them that the bonds would prove worthless. Now, when the Government is in a position to perform the promises made in that time of trouble and disaster, they are denounced, in the choice phrase of demagogues, as the "bloated bondholders," and I regret to say that some of our own friends, who seem to have been misguided, join in that denunciation.

Who are the bondholders that are thus denounced? The national banks hold \$115,000,000; they were compelled by the law under which they were organized to obtain and pledge the bonds as security for the notes which they were authorized to circulate as money, so that faith in the Government should be the basis of the security of the money. It is supposed that from five to six hundred millions are held abroad. But the larger class of bondholders are those of our own people who had an abiding faith in the perpetuity of the institutions of the United States; whose contributions, mostly furnished in comparatively small sums, form, in the aggregate, a larger portion of the public debt than is held abroad or by the banks. Many of these investments were all the accumulated savings of loyal people; the conviction

that their faith in the Government had misplaced would painfully aggravate to the loss of the money they had invested that faith.

The success of the Government in providing the means to prosecute the war is evidence of the wisdom of the measures devised for that purpose, as well as of the resources and loyalty of the people. No nation ever rowed so largely, or under similar circumstances with so much facility or at lower cost. It is now to be demonstrated that the Government can not only provide for war on so gigantic a scale and create a debt of such magnitude, but that the debt can be placed on a basis that will secure public confidence and ability and disposition of the Government to meet all its engagements with fidelity. It is only necessary to restore the currency of the country to its normal and constitutional condition, by resuming specie payments, to, with success, the financial conduct of the Government. To accomplish this should be one of the principal objects and duties of the incoming Administration.

In order to secure a lower rate of interest on the public debt specie payments must be resumed. When that is accomplished will still be legal-tender notes and bank notes in circulation as money, but they will equal value with coin. The vexed question of paying the public debt in depreciated currency will then be at rest, and the credit of the nation secure. Before the money market of the country can be in anything like a sound condition for the negotiation of large loans, the value of the money in circulation must be determined and fixed, and not left, as it is now, to be regulated from day to day and from hour to hour by the caprice, or by the immediate interest, of ruthless speculation and gambling.

The Government has obtained, with care and at much expense, standards to determine the correctness of the weight and measure of the coins used throughout the country; those standards have been deposited in different States of the Union for the purpose of guarding the people everywhere against injustice and fraud by the use of false weights and measures. How much more important is it to establish a uniform standard of value! The framers of the Constitution of the United States believed they had provided for this, with care, by giving to Congress the sole power "to coin money, to regulate the value of gold and of foreign coin," and by providing that no State should "make anything but gold or silver a tender in payment of debts." No one can doubt that it was the intention of those who framed the Constitution to make gold and silver the standard of money in this country; if that is true, it would seem to be the duty of Congress and of the Government to ad-

standard, by determining and establishing the value of whatever it permits to be used as money.

Whatever circulates as money regulates the value of all property, and measures the value of compensation of all industry and enterprise, and the pay of all public or private employments. The value of the wages of labor, and of the pensions and bounties paid by Government, are all measured by the value of the money in circulation. If the question were fully understood it would seem as if there could be neither hesitation nor delay in adopting such measures as would satisfy the result of the determination of Congress to restore the currency to its true constitutional value by making whatever it authorizes to be used as a dollar equal in value to one dollar of the coined money of the country as issued by law, which is universally recognized as money throughout the civilized world. Industrial interests of the country could all be benefited by any stable increase in the value of the currency; and this duty of the Government to restore its value can be neglected at the interest of speculators, and by sacrifice to speculation the great interests of agricultural and mechanical labor which are the basis and support of all Governments.

The value of the legal-tender notes cannot be made at once equivalent to coin—it is of great importance when it may be accomplished, so long as it is within a reasonable limit, the necessity for it can and should be removed, by adopting the measures necessary to bring about the resumption of specie payments at the earliest possible time; there is nothing the vague apprehension and uncertainty excited by propositions "to water the currency" with new issues of legal-tender notes to the extent of the public debt, and by giving those notes the established and permanent value of the currency of the country; or, in other words, requiring the interest-bearing five-year bonds to be exchanged for irredeemable legal-tender notes bearing no interest, as if that were the result of them. The evidence of a determination in Congress that specie payments should be resumed would relieve the existing uncertainty and uncertainty, and by restoring confidence in our financial future would give life and activity to all branches of industry. There is a vague apprehension in respect to the manner in which the business of the country may be affected by the resumption of specie payments, or by the reduction of legal-tender notes that might be required to accomplish the object; but no argument has been offered, and no statement has been produced, to show that any serious difficulty or pressure necessarily arise if the excess of legal-tender notes were withdrawn, as they may be, gradually, cautiously, and almost imperceptibly. The country passed through this

experience in 1837 and in 1857, and the resumption of specie payments produced no disastrous results at either of those periods. Most of the private debt now outstanding will come to maturity during the next twelve months, and in that time the banks and the merchants would have full opportunity to regulate their business, and to bring their affairs gradually within such a compass as each one of them may think in his own case to be prudent and necessary, as they did in 1837 and in 1857. In doing so the banks and the merchants would cooperate with the Government in measures preparatory to resumption; and no one need be unprepared or be taken by surprise when resumption is reached. There need be no sudden fall in the prices of property, nor rapid fluctuations in the value of money; and there is no substantial reason why the money of the country may not be restored to a sound condition, if not altogether without difficulty in some quarters, with at least much less difficulty than is now experienced from the consequences of the speculation, overtrading, and excessive importation created and fostered by the present excess and the fluctuating value of the currency.

The estimates which have often been made of the amount of money in circulation in different countries exhibit great research, but are generally based upon knowledge or information of so vague a character that little dependence can be placed on their accuracy; and the amount of money required for the business of a nation depends on so many elements that any inferences drawn from population cannot be reliable.

The condition of the currency of this country since the suspension of specie payments in December, 1861, furnishes a more trustworthy criterion of the amount and value of the money now used in this country, for the purposes to which money is applied, than any estimates that have heretofore been made. The amounts in circulation of legal tender notes, fractional currency, and national bank notes are known to be about seven hundred million dollars; and it may be said that practically there has been for some time, and is now, no other money in circulation, except the comparatively small amount of coin in some of the Pacific States. At the present rate of premium on gold these seven hundred millions of paper money are worth, at seventy four cents for each paper dollar, about five hundred million dollars of the standard of gold and silver coin.

So long as foreign trade exists the value of whatever may be used as money is measured by the universal standard of value throughout the civilized world—gold and silver—which is the recognized standard of value in the exchanges of this country with other nations. The aggregate value or the purchasing power of an irredeemable currency cannot exceed the

amount of coin into which it could be converted, and which would be required in performing the same business to which the irredeemable currency is applied. It appears, therefore, that \$500,000,000 in coin is the amount now required in this country to perform the service for which the \$700,000,000 of paper money is used; and that each dollar of that paper money is received and passed at the rate which implies about five hundred million dollars in coin as its whole amount. Whatever the amount of the paper money may be, so long as it is recognized as the money or medium for exchanges within the country, it will have for that use the aggregate value of no more than five hundred million dollars in gold and silver.

If the amount of legal-tender notes should be increased to \$1,000,000,000 or \$2,000,000,000, instead of adding to its aggregate value, or making money more abundant, the increase would be absorbed into the currency and depreciate its value; and that amount could not represent more in gold than was represented before by the \$700,000,000. But the purchasing power or value of each note would inevitably decrease in a more rapid ratio than the increase of the notes, and they might become valueless altogether under a general apprehension of their indefinite increase.

Speculation may be benefited by increased issues of such notes, providing a mode of paying debts in money worth so much less than the value of the money in which the debt was contracted; but the honest workman is defrauded when paid for his labor in money that will not furnish for the support of himself and his family one half of what he expected and believed he had contracted for. The issue of more legal-tender notes would be another form of unequal taxation, bearing most heavily on the working classes, as every addition made to the amount of the notes in circulation subtracts from the value of those in the hands of the people. The wealthy possess property, which advances in price as the currency is depreciated; they consequently suffer comparatively no loss, and often gain by it; but all that the laboring man possesses is in money, which is reduced in value by such depreciation. The only commodity he can sell is his daily labor, which cannot be accumulated by holding it back. If not sold day by day it is lost.

The experience of centuries has demonstrated that an irredeemable and inflated currency fosters gambling and speculation, at the expense of regular industry; that it makes the reward of toil uncertain, diminishes production, and increases the cost of its distribution to the consumers, and that it is demoralizing in its tendency. There would seem to be no excuse for its continuance when the necessity for it can no longer be asserted; and it seems strange that its continued use should find advo-

cates who claim to be intelligent, after the many disasters and troubles and distress which history records to have been experienced as the almost uniform results of its use.

The issue of the legal-tender notes was one of the necessities growing out of the rebellion which forced upon the country a great war, requiring the exercise of any and all powers that could aid in protecting the Government. Money was absolutely necessary to organize the force requisite for the protection of the Government. In this sudden emergency Congress gave to all different Departments all the authority which was deemed necessary to enable the Government to act with power commensurate with the emergency. Among the powers authorized to be exercised was the issue by the Treasury Department of legal-tender notes, as the only resource that, in the judgment of Congress as of Mr. Chase, now Chief Justice, but then Secretary of the Treasury, could be availed of, at the time, to furnish money for the protection and defense of the Government against the force arrayed by the rebellion for its overthrow and destruction.

It was not until the banks suspended specie payments in December, 1861, that the question was presented, whether the Government must issue its own notes, secured by the pledge of the public faith, to provide the money necessary for the pay of the Army and for the supplies to carry on the war, or whether it could rely on the banks to furnish their irredeemable notes to be used as money for that purpose. After the suspension of specie payments by the banks the only medium of circulation was their irredeemable notes. So long as the notes were redeemable in coin they possessed standard of value; but they had no such standard after the banks suspended.

No one who considers the amount of money that was required, or who reflects upon what the condition of the country might have been if the Government had been compelled to depend on the banks and use their notes for money, can now entertain any doubt that Congress decided wisely in resisting the pressure to use the irredeemable notes of the banks, and in authorizing the issue by the Treasury Department of legal-tender notes. In the course of the war the Treasury Department found it necessary to issue more than one thousand million dollars in notes of different kinds, to be paid out as the Treasury as legal-tender money. If the Government had relied on the banks for that amount, each one of the fifteen hundred or more State banks then in existence, stimulated by the immense profit of such a circulation, as unrestrained by any law to limit the amount of their circulation, would have competed to increase their issues to the greatest possible extent. The security of their notes would have depended solely on the management and solvency of each one of them—a solvency di-

be tested so long as the suspension converted the loss of public confidence in a right have been destructive of general confidence in all the banks; the effect of which have been to produce a financial crisis which would have paralyzed the business of the country and the operations of the Treasury, which might have disbanded the armies in the

emergency of the war required that the Government should avail itself of all its resources to meet the demands of the public. The right to furnish paper money for the currency of the country was claimed to be those resources, and a fruitful one, to the pressing needs of the Treasury. It was deemed it just and right for the Government to exercise that power for the common and the common welfare. No argument was made against the exercise by the Government of that privilege was urged by any one considered the claims of the public superior to the claims of private interests. Though some opponents urged as an objection the advantages of coined money over the legal-tender notes, as if the problem to be solved at that time was what constituted the best and best medium for the currency of a commercial country, when the real question was in regard to the most available of providing temporarily for a great pressing emergency which had suddenly arisen and threatened the overthrow of the Government.

Legal-tender notes were deemed by those who advocated their issue as a temporary measure resorted upon the Government by the exigencies of the war. But no one who advocated the authorizing the issue of the notes could claim them otherwise than as an expedient arising in necessity, and to be terminated when that necessity should cease. It did seem possible then that the time could come when any one would look with satisfaction at the possibility of their indefinite continuance and advocate their permanency as an improvement on the system of money ordained and established by the Constitution and by

the value of an irredeemable paper money depended largely at times by public confidence and disposition and power to redeem it. It was the inducement for speculators to produce a public excitement by false rumors and exaggerated reports of successes or disasters during the war; at one period of which the premium on gold was from 150 to 180 per cent in the legal-tender dollar worth only sixty-six to forty cents of coined money. The constant variations from day to day in the value of premium on gold, which indicated the state of the legal-tender notes, to some extent the result of public opinion in regard to the future; but they are mainly

produced by skillful manipulations of events, or of rumors and reports, to affect public sentiment in regard to the public credit. Allowing for these daily and hourly variations, the value of the legal-tender notes depends on the extent to which they have been or may be issued.

It has been often urged as an argument in favor of increasing the amount, and of paying the bonds with increased issues of legal-tender notes, that the money which is good enough for the wages of labor and to pay bounties and pensions is good enough for the bondholders. Congress should maintain, on the contrary, that the money now paid for wages and bounties and pensions is not good enough for that purpose; and should insist on those payments being made in money as good as that which the bondholder receives; and this will be brought about by raising the standard of the legal-tender notes until they are equal in value to coined money. If, on the other hand, Congress should, by increasing the issue of legal-tender notes, reduce the value of the dollar below what it is now, the soldier and the pensioner for whose benefit the bounty laws and the pension laws were passed, may well consider that Congress places itself in the category of those—

"That keep the word of promise to our ear,
And break it to our hope."

The greatest benefits are often secured to nations and calamities averted by discussions which lead to the detection of false principles and the establishment of sound ones upon points of leading importance to the public welfare. No one, therefore, should object to the time occupied with this subject, which existing circumstances now force upon the attention in a way that will not permit Congress to avoid it. Similar circumstances existed some time since in Great Britain, and rendered similar questions, for many years, the leading topic there of thought and discussion; and we have the benefit of the labors of the statesmen who took part then in those debates, as well as all the advantages of their experience and the knowledge of their mistakes.

The various definitions and the different acceptations of the term "money" have contributed to produce much of the doubt and uncertainty and differences of opinion which have prevailed, and embarrassed the discussion of measures proposed with the view of improving the condition of the currency and finances. It seems necessary, therefore, that the meaning attached to the term "money" should be distinctly defined and understood to render intelligible any discussion of such measures.

The true meaning and character of the term "money" could not be more accurately described than in the famous treatise "on the Currency of Great Britain," by Mr. Huskisson, the eminent statesman, who did more, perhaps, than any or all of the great statesmen of his

time to enlighten the public mind with correct knowledge of the subject of currency and of the importance of securing its convertibility. In the following extract from that treatise Mr. Huskisson defines concisely the character and functions of money and its paper substitutes:

"Money, or a given quantity of gold and silver, is not only the common measure and common representative of all other commodities, but also the universal equivalent.

"The money or coin of a country is so much of its capital. Paper currency is no part of the capital of a country. It is so much circulating credit.

"Whoever buys gives, whoever sells receives, such a quantity of pure gold or silver as is equivalent to the article bought or sold; or if he gives or receives paper instead of money, he gives or receives that which is valuable only as it stipulates the payment of a given quantity of gold and silver. So long as this engagement is punctually fulfilled paper will of course pass current with the coin with which it is constantly interchangeable.

"Both money, therefore, and paper promissory of money, are common measures and representatives of the value of all commodities. But money alone is the universal equivalent; paper currency is the representative of that money.

"Of paper currency, however, there are two sorts, the one resting upon confidence, the other upon authority. Paper resting upon confidence is what I have described as circulating credit, and consists in engagements for the payment, on demand, of any specific sums of money, which engagements, from a general trust in the issuers of such paper, they are enabled to substitute for money in the transactions of the community. Paper resting upon authority is what, in common language, is called paper money, and consists in engagements issued and circulated under the sanction and by the immediate intervention of the public powers of the State.

"The right and duty of coining, which in every independent State is one of the most important attributes of sovereignty, consists in affixing to certain pieces of the precious metals a stamp which becomes to the subject of that State and to all the world a public voucher that such piece, according to its denomination, is of the weight and fineness fixed by the law of that State. The public honor and integrity of the legislature are pledged to the fidelity and exactness of the voucher which is thus issued in the name of the sovereign. There is not, therefore, nor can there be any difference whatever between any given coin and an uncirculated piece of the same metal of equal weight and fineness, except that the quantity of the former is accurately ascertained and publicly proclaimed to all the world by the stamp which it bears.

"Price, therefore, is the value of any given article in the currency by reference to which that article is measured, and must of course be varied by any variation in the quantity of gold and silver contained in such currency."

The law of England secures to every man that he shall not be compelled to take in satisfaction of a legal debt less than the expressed amount of that debt in coin; and distinctly provides that he shall not be obliged to receive, as the representative of the coin, any promise of payment or other article which will not procure that quantity of coin. Such was the condition of the currency and the state of the law in this country before the banks suspended specie payments and before the law authorizing legal-tender notes. Previous to that time the notes which the banks issued for circulation as money were engagements payable on demand in specie, and therefore come strictly

within what Mr. Huskisson calls "credit."

The legal-tender notes and the national bank notes are only paper money circulating by the sanction of the Government by the immediate intervention of the public powers. The paper money of Austria, of Buenos Ayres, and a few other countries that have become bankrupt in their resources.

It would seem that Congress should consider the stigma of insolvency to attach obligations of the United States when the Government considers the abundant resources possessors of a country—the immense and increasing products of its territory, the extent of its manufacturing power, and its increasing influence in foreign commerce. There are now outstanding \$390,000,000 of the obligations of the Government, consisting of promises of payment which are passing at less than one quarter of their nominal value, because of the uncertainty when the Government will redeem them, and at what rate, if they are redeemed. The national bank notes are depreciated to the same extent, because they can be redeemed at a higher value than the Government notes, which they may be redeemed. And the obligations of the Government naturally follow the depreciation of the bank notes, and are necessarily reduced in value in the same proportion. The best evidence of the extent to which the credit of the United States is depreciated may be found by comparing the price of our interest-bearing securities with those of other countries, at the London market, or in the other great money markets of Europe. While six per cent. bonds of the United States sell in London at less than eighty-five per cent. of their value at par of the kingdom of Denmark, bearing five per cent. interest, are sold at eighty-five per cent., and five per cent. bonds of the kingdom sell at par.

Inasmuch as gold and silver coin are engaged in an unproductive employment, one would wish to proscribe the use of money; on the contrary, its circulation should be encouraged, just so far as may be consistent with its being at all times kept inviolate with coin, by being constantly convertible into specie, at the option of the holder. But to remedy the difficulties caused by the depreciation of the currency, measures must be adopted to bring about an early resumption of specie payments. The precautions which should be observed in preparing for it, and the period when the resumption should take place, so that it may be brought about in the most convenient and under such conditions as will cause the least trouble and embarrassment to the business of the country, may well be a grave deliberation of Congress, which has the power to determine and regulate the subject.

resumption of specie payments is entirely in the power of the Government. It can exercise no control over it except through their influence with Congress. If the legal-tender notes are withdrawn, it will be obliged to provide coin in place of the only lawful money in which their notes can then be redeemed.

If legal-tender notes are convertible at par, the specie basis is practically maintained. The national bank notes will then represent specie, as they will be convertible into specie, and lawful money is either coin, or notes which will then be the equivalent of coin. No law ordaining specie will avail anything without reducing the value of the money to the quantity required to make the exchanges for which it is required with coin. As well may Congress require people shall pay their debts whether in specie or not. Something more than a legislative enactment to resume specie will be necessary before that desideratum can be consummated.

The Comptroller of the Currency, in his report for the past year, says:

"For the people conclude that it is more proper to conduct the business of the country on a specie basis they can ordain specie payments provision through their Representatives for the payment or withdrawal of the received paper currency is used and kept on by the Government. And whenever they wish to restore the credit of the nation without through their Representatives in Congress removing the only embarrassment that is now, by directing that provision shall be the payment of the floating indebtedness amounting to \$388,100,000, consisting of promises are never paid, and to establish the fact that the United States is a solvent debtor, able and ready to pay every debt as it becomes due, and to restore the credit of the public credit are reached and depend upon the will of the United States."

Writers of financial reputation assert that the Government must, as a prerequisite to resumption, be prepared to redeem the whole of the \$350,000,000 of legal tender having that amount in the Treasury. This is certainly an exaggeration, and discourages all efforts to surmount difficulty. When the legal tender notes are withdrawn, that the remainder, together with the national bank notes in circulation, will be sufficient to accomplish that portion of the resumption at the prices in coin, for which specie as well as coin, the point of parity into coin at par will be reached, the resumption of specie payments will be accomplished. Assuming the value of \$100 of the paper money now in circulation to be \$500,000,000 in specie, this discrepancy between the nominal and the actual value of the paper money must be removed to the specie basis. The most direct way, in my opinion the only way to accomplish this, is to persevere in withdrawing legal-

tender notes from circulation by redeeming or funding them until that discrepancy is corrected. That reduction would not diminish the actual money in circulation, as the reduced amount would possess the same purchasing power that the \$700,000,000 now have.

The passage of a law legalizing contracts payable in gold has been advocated with much earnestness under the impression that it would bring gold into circulation, and thereby assist in bringing about an earlier resumption of specie payments. If this would be the certain result of legalizing gold contracts no one in favor of resuming specie payments could oppose the passage of such a law. But grave doubts are entertained whether the measure would produce the effect thus anticipated by those who are so urgent in advocating its passage. In previous cases of bank suspensions, although there was no other legal tender than coin, the irredeemable bank notes were alone used as currency; which seems to demonstrate that if gold contracts are now legalized, as they were then, it would not bring gold into more general use or increase its quantity, but only serve as a mode by which in certain cases the evil effect of legal-tender notes could be avoided. Another objection to legalizing gold contracts has been that it would allow debtors to be oppressed by requiring a contract payable, principal and interest, in gold for a debt that was incurred in paper currency. It is well known that money is now often loaned with the usurious condition that the interest shall be paid in gold, although there is no law to enforce such a contract.

Supposing, however, that a law legalizing contracts payable in gold would increase the quantity of gold and bring it into more general use; the paper money would not thereby be displaced, or diminished in amount, but its value would be reduced in proportion to the extent to which gold was thus used. To legalize gold contracts would therefore increase the depreciation of the legal-tender notes; while the object of Congress should be to restore their value and make them equal in value to the coin which they should represent. In Buenos Ayres, where contracts may be made payable in gold, the people continue to use in their ordinary business transactions paper currency worth less than six per cent. of its nominal value.

I repeat that during the first term of President Lincoln's administration an enormous amount of debt was necessarily incurred to maintain the existence of the nation, much of it in the form of temporary debt; and the laws authorizing the creation of the debt provided also for funding it in such manner that the Government could not be called upon for many years to pay more than the interest, for which ample provision was made by taxation. Since the commencement of this the second term

of the administration of President Lincoln no new loan bills have been passed, but the funding of the interest-bearing portion of the public debt has been substantially completed, as provided for in the laws which had been previously enacted. The debt consists now, as has been previously stated, of about twenty-one hundred and sixty millions in bonds, bearing interest payable in coin, and three hundred and ninety millions in legal-tender notes and fractional currency, not bearing interest; together making about twenty-five hundred and fifty millions, the annual interest of which is less than one hundred and twenty-six million dollars, averaging a trifle less than five per cent. on the whole amount of the debt.

After the fearful struggle against treason which the country has sustained for the past eight years we have no right to complain of this condition of the finances, and should rest satisfied with it for a time until it can be clearly shown how the burden of this debt can be lightened and gradually and finally removed. The delay of even a year or two is of little consequence in the life of a great nation, if the result of that delay is to indicate and to convince the people in regard to what should be the permanent financial policy of the country.

The first question to dispose of must be in regard to the currency portion of the debt, which bears no interest, but is of great importance in its effect upon the people, constituting, as it does, in great part, the money of the country. No one can be more solicitous than I am to have the currency restored as soon as possible to its constitutional equality with coin. I believe that value can only be restored by judiciously reducing its amount; yet I also believe that an inconsiderate and hasty reduction of its amount might disturb the trade and commerce of the country to an extent that would bring bankruptcy and disaster upon the industrial pursuits of the people, and thereby retard instead of hastening the resumption of specie payments.

It is said by many that the paper money in circulation before the war rarely exceeded \$200,000,000 at par with coin, and therefore that amount should be our guide in determining how much can be circulated now. But I am not willing to be controlled in my judgment by that experience, for the reasons that the country has grown and expanded since then; and that the paper money in circulation then consisted of bank notes based on faith in local institutions, most of them being hardly known fifty miles from their location, and their notes consequently having only a local value; while the value of the present paper circulation is the same everywhere within the limits of the United States, the faith of the nation being pledged for its security. Others refer to the experience in Great Britain and in other countries where paper is in circulation at par with coin; but in

those countries the circumstances are so different that hardly any analogy can be drawn from their experience.

The different plans for resuming specie payments that have been proposed thus far, or in the other branch of Congress, seem open to the objection of being too complicated, too uncertain in their results. They are apparently on the idea that any reduction of the volume of the currency would be gradual, and must therefore be avoided; these plans seem to involve practical automatic reduction to an extent that cannot be estimated beforehand, nor regulated and controlled afterward with any degree of certainty. The currency is a machine of much delicacy, but of great power, and it should therefore be simple in its character so as readily to be understood by every one. Any action of Congress that would render it complicated and uncertain in its effects and difficult to regulate would be productive of serious trouble and inconvenience. The only mode of removing the discrepancy between its nominal and its value is, in my opinion, by reducing the present volume of currency; the only safe way to make that reduction is by directly withdrawing such an amount of the legal-tender currency as will restore what remains in circulation to the legal and constitutional value of coin. I have no doubt that, if judiciously consummated, the resumption of specie payments can be accomplished without deranging or disturbing the business interests of the country.

The various financial measures that have been proposed and discussed have so far only confused and disturbed the public mind that they now needs rest in regard to all questions relating to the finances and the currency. I think it would be wise for Congress to wait for the recommendations of the incoming administration before determining on new measures, before making any changes of a substantial character in the existing financial laws, before providing all the powers necessary to enable the Secretary of the Treasury to fund the public debt or to reduce the rate of interest on it. Laws that should be repealed which authorize the issue of bonds for any other purpose than to extend or convert the public debt into long bonds at a lower rate of interest, the subsidies now authorized by law to sustain railroad companies. The incoming administration would then be free and untrammelled in its action in regard to the public debt, and the future Secretary of the Treasury would exercise his powers in doing whatever might be necessary, within those limitations, at the next session of Congress.

To satisfy the public mind, to restore confidence, to put the Government right with its own citizens, and to put the country right before the world, there should be some action in regard to the future; and for that

nt Congress should record its conviction on the following points:

That every dollar of the public debt paid, principal and interest, in coin, or equivalent of coin, except when the constitutionally provides for the payment in money; that repudiation, in any and in which it may be proposed, or approximation to repudiation, however presented and urged, is to be at once absolutely rejected; that the faith, honor, and honesty of the Government is to be fully and thoroughly upheld, so that the creditor, in this country or abroad, that every dollar he has invested in securities of the United States is his safest investment, and, happen what may, that the Government of the United States will pay every one of its obligations fairly and honorably.

2ly. That it is the purpose and policy of the Government to restore the currency to its constitutional basis; not suddenly by a "leap" or a leap in the dark, but in the

best practical manner, by judiciously and gradually reducing the amount of legal-tender notes, until those notes and the national bank notes will represent the amount necessary to conduct the trade and commerce of the country at par with coin.

The country needs, and has a right to claim, some assurance that the present evil is not to be increased by any expansion of a depreciated paper currency, and that initiatory measures will be devised to reach and remedy the existing evils of the currency without any serious or widespread commercial convulsions or embarrassments.

If the present Congress shall give to the public mind some basis for an assured conviction on these two points, namely, that the public debt of the United States is to be fully paid in good faith, and that the present evil of a depreciated currency will be removed at no distant period, it will have performed its duty to its constituents, to the country, and to the commercial world.





Enrique

[REDACTED]



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SPEECH

OF

HON. SAMUEL HOOPER,

OF MASSACHUSETTS,

ON

THE NECESSITY OF REGULATING THE CURRENCY OF THE COUNTRY.

DELIVERED

IN THE HOUSE OF REPRESENTATIVES,

APRIL 8, 1864.

WASHINGTON:
PRINTED BY L. TOWERS & CO.
1864.

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SPEECH
OF
HON. SAMUEL HOOPER,

Of Massachusetts,

ON
THE NECESSITY OF REGULATING THE CURRENCY OF THE COUNTRY.

DELIVERED
IN THE HOUSE OF REPRESENTATIVES,

APRIL 6, 1864.

WASHINGTON:
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SPEECH
OF
HON. SAMUEL HOOPER,
Of Massachusetts,
ON
THE NECESSITY OF REGULATING THE CURRENCY OF THE COUNTRY.

DELIVERED IN THE HOUSE OF REPRESENTATIVES, APRIL 6, 1864.

The House having resumed the consideration of the bill to provide a national currency, secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof, Mr. HOOPER, addressed the House as follows:

MR. SPEAKER: It is not my intention to discuss the provisions of this bill, with which the House is already familiar; but I wish to ask attention to some of the reasons, that are conclusive to my mind, why the paper circulation of this country should be under the control of a national law; believing, as I do, that the condition of the country, growing out of the exigencies of this war, render the regulation of the currency by Congress absolutely necessary for the purpose of strengthening and upholding the Government.

In addressing the House last week, I said that I looked upon the system of State banks as having outlived its usefulness—considering them as institutions connected with the growth and prosperity of the country—that they were unequal to the exigencies of the present time, with the demands which this war is making on the resources of the country. This remark seems to have shocked the sensibilities of some gentlemen on the other side of the House. It has been said that I must have forgotten the great services rendered to the country by the State banks during the Revolutionary war; which I certainly had overlooked, and have yet to learn that they rendered any service, or were in existence, during that period. In the war of 1812 it was different. The State banks did then play an important and unfortunate part; and a strong effort has been made to give them now an opportunity to repeat it. But the history of their action, and its effects during the war of 1812, and of the inconvenience and trouble produced by using the notes of the suspended State banks then for the currency of the country, has not been forgotten.

Soon after the commencement of the war of 1812, all the banks suspended specie payments, except some in New England; and the Government was induced, most unwisely as it proved afterwards, to use their irredeemable notes for currency. By the urgent advice of Mr. James Gallatin, the banks in the city of New York decided in December, 1861, to suspend specie payments; their example was promptly followed throughout the country. The Secretary of the Treasury was then strongly urged to adopt the same course as in 1812, by using the notes of the suspended banks for currency, and employing those banks as fiscal agents and depositories of the public money; but he positively refused, and would not receive and circulate their notes, even for the balance that was still due from the banks on account of the Government loans they had taken. This was the cause, and, in my opinion, the only cause, of the contest which was at once begun by Mr. Gallatin and others against the Secretary, and against the financial measures of the Government.

The gentleman from New York [Mr. Brooks,] announced last week that he expressed the views of Mr. James Gallatin, whom he introduced as the "representative man" of a great class of financiers in this country. It therefore becomes necessary for me to refer to the part Mr. Gallatin, as the "representative man" of a class of financiers, has taken in connection with the finances and the currency since the commencement of the war. He has been foremost in this contest against the Secretary, and against the financial measures of the Government. In a pamphlet recently published by him, he said: "If Mr. Chase had administered the finances of the country as they had been hitherto administered by other Secretaries, the State banks could have gone through the crisis *successfully administering this Government as a hard money Government to carry on a hard money war.*" But the Secretary of the Treasury wisely declined to give the State banks that opportunity to administer the Government."

At the time the loan was made in New York on the 7 3-10 Treasury notes Mr. Gallatin opposed it at a meeting of the bank managers, and insisted upon Congress being again called together to raise the rate of interest. After it had been voted not to take the 7 3-10 Treasury notes, Mr. Chase and Mr. Stevens, the President of the Bank of Commerce, addressed the meeting, and the vote was reconsidered. The banks finally agreed to take the Treasury notes with interest at the rate of 7 3-10 per annum. Without the influence of the Bank of Commerce that loan could not have been negotiated then. The action of that bank has been at all times favorable to whatever the Secretary of the Treasury recommended, and it has rendered invaluable assistance in all the negotiations of the department with the banks.

At the meeting of bank managers in the city of New York, in December, 1861, when Mr. Gallatin successfully urged the suspension of specie payments, he declared to the meeting that the Government must suspend specie payments or the banks must; that it was only a question of time which should suspend first and

keep possession of the specie; and that if the Government obtained possession of it the whole amount would soon be expended or hoarded.

The action of the Secretary of the Treasury in declining to receive and circulate as currency the notes of the suspended banks was at first attributed by Mr. Gallatin and others to his want of financial knowledge and experience. They endeavored to persuade him that he did not understand matters of finance. Mr. Gallatin, in a letter published subsequently, said substantially of the Secretary that "he knew the right but still the wrong pursued," because he had himself, by letter, informed the Secretary what the right was. It is possible, however, that the Secretary may have been so occupied with the pressure of his official duties that he never read that letter, which was very long, and informed the Secretary what Mr. Gallatin considered right in regard to many other matters than those of finance. Among other things he informed him that the wrong men had been sent to Europe to represent this Government. In early life Mr. Gallatin had been connected with the diplomacy of the country, I think during the greater part of the war of 1812; and this may account for his wishing to see repeated in this war whatever was done then.

Failing to persuade the Secretary to adopt his recommendations, Mr. Gallatin seems to have gone mad upon the absurd idea that all payments of the Government should be in coin, and that the State banks should make a hard money war and administer the Government. I regret to notice that some members of this House seem to be affected with the same insane idea.

I have carefully studied the works of the honored father of this gentleman, and I feel quite sure that in view of all the evils that resulted from the unwise financial course of the Government during the war of 1812, he would if living now, have supported the financial measures of this Administration. Albert Gallatin was one of the soundest and most able writers on finance of this or of any country. After the war of 1812 he used all his powers to promote the resumption of specie payments, and exercised great influence in restoring a sounder and more substantial system of currency than had existed even before that war commenced. The trouble with the son appears to be in the proper application of the financial maxims of his father. If I may be excused for using a hackneyed but apt illustration, I should say that he seems sometimes "to put the saddle on the wrong horse," by applying the principles and maxims of his father very differently from the way the father would have applied them. For example, before this war, the son was one of the staunchest supporters of the system of bank notes for the currency of the country; now, in the midst of this war, he advocates carrying it on with a currency of specie—in both cases, as it seems to me, having the saddle on the wrong horse.

It appears to me, also, that the honorable gentleman from New York, who referred with such kind compliments to some

former works of mine on currency, sometimes falls into this same error, by applying my principles differently from what I should apply them. Those humble efforts of mine to which he referred, were intended to urge the importance of using some portion of the wealth which was pouring into the country, in a season of peace and unexampled prosperity, to secure a sounder condition of the currency; instead of using it, as was the case, to expand the currency by increased issues of the credit of the banks. The arguments I used are as sound now as they were then; but the issues before the country are somewhat different. I will take the liberty of calling the attention of the honorable gentleman to one short extract on the eighty-seventh page of the volume published in 1855, which he left at home; it is as follows, and I wish him to consider it as the key-note to all I have ever said or written on currency:

"If paper money is ever useful to a country, it can only be in great emergencies; and it should be reserved as a resource to supply the means for the defense of the country when other resources are exhausted. At such a time it may be used for the business transactions within the country, to release the coin from that service, so that it may be used by the Government in the exigency for the common welfare."

The suspension of specie payments by the banks in December, 1861, in the midst of a most expensive war, seemed to me to create one of those great emergencies for which I had said the use of paper money should be reserved; I was therefore active in advocating its issue by the Government; and I claim now, without fear of contradiction, that it has been an invaluable resource to supply the means for the defense of the nation. It of course must inflate the currency; but it appears to me disloyal and wicked for private corporations to insist upon their right, at such a time as this, to add to that inflation for their own profit.

I think the gentleman from New York must be somewhat credulous, and too easily imposed upon by the statements of designing men; for I am sure he would not intentionally state anything in this House that conveyed a false impression, even if he thought it would weaken the confidence of the people in this Administration. The statement he made yesterday in regard to a national bank having \$1,500,000 to the credit of the Government, and at the same time having a small amount on deposit with Mr. Cisco, the Assistant Treasurer, in the "temporary loan" at five per cent., was true; but it was only the naked outline of truth, which some designing person probably communicated to him, for the purpose of producing a false impression upon his mind, with the hope that he would communicate it to the House, as he did. The facts in the case were that this bank had been active in negotiating the five-twenty loan, and had received for it a million and a half of dollars in greenbacks, of which it notified the department, requesting that it may be transferred to the Assistant Treasurer, as it was inconvenient to hold this large

amount of greenbacks in their bank. Until that transfer was made the bank was in the position described by the gentleman from New York.

Then there is the "stock story" of the gentleman about a fraud at the Treasury Department, "on the authority," as he repeats each time, "of your own investigating committee." The Mr. Clark referred to was a Democrat, appointed during Mr. Buchanan's Administration, and was in the Treasury Department under Mr. Cobb. The affair occurred then, and not under this Administration. Probably the investigating committee were too ready to believe any statement against the honesty of one retained in office who had served under an administration that encouraged stealing in so many ways. The examination of the facts referred to by the investigating committee not only exonerated Mr. Clark, but showed that he had been the means of preventing the payment of a large sum of money. It was in connection with a curious contract for stone, so worded that the contractors were entitled to and claimed \$35,000 for the two large stones on the buttresses of the platform of the new entrance of the Treasury building. The claim was finally compromised by the payment of about five thousand dollars.

One of the consequences of the suspension of specie payments by the banks in 1812 was an enormous depreciation of the currency, which varied in proportion to the expansion of the banks of each of the different States; and the depreciation generally increased as you went toward the South; so that any one starting from Boston to visit Washington with money enough to pay for his journey there and back, found his money increase in amount as he increased his distance from Boston; by the time he reached Washington he had more money than he started with, notwithstanding he had paid all the expenses of the journey; and travelling was far more expensive then than now. The journey back produced a very different result.

One may imagine what effect this condition of the currency would have on all the financial measures of the Government. Its securities were sold at prices much below par, and were paid for in different State currencies that were still more depreciated, the degree of depreciation varying in almost every State; so that when the Government made a loan at sixty to seventy for a hundred, it was paid for with currencies of different values, in some places depreciated to such an extent that often less than an average of fifty per centum of the value, in coin, was realized for the loan. Mr. Calhoun, of South Carolina, said, in a speech delivered at that time in this House, that the Government was issuing its paper bearing six per cent. interest, and taking in exchange for every hundred dollars sixty dollars of State bank paper equally depreciated and bearing no interest. He suggested, as a remedy for this, that the Government should issue its own notes and make them legal tender; and that it should exercise its only constitutional powers against the notes of State banks—taxation—to drive them out of existence.

Members from the State of New York have referred with great satisfaction to the present condition of the bank currency of that State. I wish, without any disrespect, to remind them, that after the suspension of specie payments in December, 1861, the Government could not receive the bank currency of that State without receiving the bank notes of every other State in the Union. All bank notes in circulation then were, by law, illegal, irredeemable notes of suspended banks; and New York bank notes stood no better, in the eye of the law, than the notes to which the bank managers of that State often refer under the designation of "wild cat currency;" which I have always understood to mean irredeemable bank notes.

The New York bank law contains many excellent features, but it contains some that are objectionable to my mind. The banks in that State, outside of the cities of New York and Albany, are authorized to redeem their circulation in those cities at a quarter per cent. discount, and they are never required to redeem their notes in specie until fifteen days after demand.

The following list exhibits the circulation of twenty-five banks, selected as specimens to show what may be done and what is doing by the banks in the way of furnishing circulation :

Statement of certain Banks having a Circulation in Excess of Capital.

	Capital.	Circulation.	Percentage of Capital Stock.
Hampden Bank, New York.....	\$100,000	\$313,220	3.13
Bellinger Bank, New York.....	10,000	76,280	7.62
Lyons Bank, New York.....	30,000	112,150	3.73
P. R. Westfall's Bank, New York.....	25,000	107,796	4.32
Suffolk County Bank, New York.....	20,000	82,540	4.12
Bank of Orangetown, New York.....	30,000	99,999	3.33
Passaic County Bank, New Jersey.....	20,000	82,602	4.13
Anthracite Bank, Pennsylvania.....	99,800	298,149	2.98
Bank of Gettysburg, Pennsylvania.....	145,150	421,810	2.90
Farmer's Bank of Schuylkill, Pennsylvania.....	100,000	304,836	3.04
Farmer's and Drover's Bank of Waynesburg, Penn..	150,000	435,500	2.90
Jersey Shore Bank, Pennsylvania.....	75,150	221,257	2.94
Lewisburgh Bank, Pennsylvania.....	100,000	324,677	3.24
Lock Haven Bank, Pennsylvania.....	110,000	311,060	2.83
Mount Joy Bank, Pennsylvania.....	54,710	171,179	3.12
Octorara Bank, Pennsylvania.....	57,970	169,315	2.92
Union Bank of Reading, Pennsylvania.....	100,000	298,425	2.98
West Branch Bank, Pennsylvania.....	100,000	299,109	2.99
York County Bank, Pennsylvania.....	125,000	335,275	3.16
Bank of Chambersburgh, Pennsylvania.....	256,838	751,525	2.92
Bank of Newark, Delaware.....	50,000	139,887	2.79
Bank of Greencastle, Indiana.....	50,350	178,056	3.43
Bank of Geauga, Ohio.....	50,000	139,825	2.79
Bank of Massillon, Ohio.....	50,000	112,841	2.85
Bank of Delaware, Ohio.....	23,000	65,171	2.83
	1,982,968	5,998,088	

It will be noticed that six of the banks on this list are in the State of New York organized under the boasted general law of that State; which, I understand, contains no limitation in regard to the capital of a bank, nor of the amount which any bank may circulate. Here are twenty-five banks, with an aggregate capital of \$1,932,968, issuing circulation to the amount of \$5,998,088. The Bellinger Bank, with a capital of \$10,000, has nearly \$80,000 of circulation. I understand this bank has but one stockholder, being classified as an "individual bank." His private liability for this circulation is limited to the amount of his shares in addition to the amount invested in the shares, being together \$20,000. And this bank may issue any amount of circulation, for which it can obtain the securities to pledge for it, dollar for dollar, with no greater liability of its one stockholder than \$20,000.

The New York bank law is based on the idea that every one has a right to form a bank and issue notes to circulate as money who can furnish the requisite securities to pledge with the Comptroller for the notes. There is no definite limit, therefore, to the amount of circulation which the banks of that State may issue. Since the suspension of specie payments there has been no business more profitable in that State. Such business would be made unlawful, and denounced as dishonest, if its effect upon the currency of the country was fully comprehended; and certainly no business, under the existing circumstances of the country, can be much more pernicious to the interests of the community or of the Government.

Any one who remembers the condition of the currency during the war of 1812, or who has read of it, must feel grateful to the Secretary of the Treasury, and the country will appreciate his firmness in resisting the pressure of the banks to use their notes; and for inaugurating the financial measures which have thus far met with such marked success, instead of inflicting again upon the country the complicated evils which resulted from the different course of the Government in the war of 1812.

I repeat what I said the other day, that the issue of legal tender notes was not only a wise measure, but that it was the only measure that could have been adopted with safety; if the Government had, instead of it, depended on the State banks, and used their notes for currency to carry on this war, it would have proved an utter failure. The loan bill, including the issue of legal-tender notes, the national bank act, and the tax law were recommended by the Secretary of the Treasury as the three measures to be relied upon to carry the nation through its financial difficulties. The last Congress enacted them, and it is the duty of the present Congress to do all in its power to perfect them. They certainly have worked successfully thus far; and I trust all attempts to perfect them will meet a generous support from this House.

The gentleman from New York stated, the other day in his

speech, that the best section of this bill was the one which repealed the law of last year and thereby condemned it as unendurable after only the brief experience of a single year. Nothing can be further from the truth. So far from condemning that law, the sole object is to amend and perfect it. Like all new measures, that bill was put in the best shape at the time to ensure its passage; it was, in fact, a good bill; not perfect in all its details, but still a good bill. Its passage established a most important principle; and the brief experience of a single year has been satisfactory to the friends of that law, who are now endeavoring to give more complete effect to its principles, by introducing this bill to perfect its details, and to give more effective action to the banks which have been and are now rapidly organizing under it. It is a novel idea that any bill amending an existing law is a condemnation of the original law.

The constant denunciation from certain quarters of the financial measures that were adopted in the last Congress, and of the action of the Secretary of the Treasury, remind one of the robber crying "stop thief," to divert attention from himself. It is, in my opinion, the State banks who are now doing the most to depreciate the currency of the country; and they are deriving large profits from it. Twenty, and even thirty per centum on the capital, has not been unusual as annual profits of some of them during the past two years. They use the legal-tender currency as the basis for extending their own issues and inflating the currency, and then complain of the Secretary of the Treasury, and of the financial measures that have been adopted, as the cause of the depreciation.

That the banks are doing this is not a matter of opinion, but of fact, well known to any one who will take the trouble to compare the present amount of the loans of the New York banks, or of the State banks generally, with what they were before the suspension of specie payments in December, 1861.

When the great influx of gold from California commenced, a few years since, it was supposed by many that it would strengthen the currency; but, instead of being used for that purpose, the banks made it the basis for extending their issues, and they continued to inflate the currency until the suspension of specie payments occurred in 1857. It may, with almost as much propriety, be said that the inflation of currency which culminated in the suspension of specie payment in 1857, was caused by the gold from California, as to say now, in face of the fact of the great extension of issues and expansion of the State banks, that the present depreciation of the currency is to be solely attributed to the action of the Secretary of the Treasury and the effect of the financial measures of the last Congress.

More gold was exported from the country during the ten years that preceded this war than would have sufficed to supply coined money for the whole currency of this country; but the gold, instead of being used to strengthen the currency, was made a basis

for extending the issues of the banks; and it was no sooner landed at New York than it was transferred to a steamer for Europe, to be sent abroad to pay for the excessive import of foreign merchandize, which was induced by the inflated condition of the currency of the country. That misuse of the gold from California was favorable for stock-jobbing and other speculations, but was a positive injury to all the industrial interests of the country.

The same use is now being made of the legal-tender currency, which the necessities of the war have obliged the Government to issue, in the absence of any other legal and suitable currency that could be used in the great emergency of the war. The State banks are using the legal-tender notes as a basis for an enormous inflation of the currency by the extension of the amount of their issues and of their loans; thereby undermining the foundations of the national credit, and promoting distrust among the people.

As I said before, this statement is not a matter of mere opinion, but of fact that is patent to any one who will examine the subject, and compare the present condition of the State banks with their condition in the summer of 1861.

The gentleman from New York (Mr. Brooks), in his remarks last week, said the Secretary should retrace his steps and diminish the issues of Government paper. But I would ask him, in all frankness, if he thinks this a suitable time to fund the legal-tender currency, and to diminish its amount, when demands are pressing on the Treasury Department that cannot be met, without availing of all the resources that Congress has placed at the disposal of the Secretary; and I would also ask what other effect it could have, if the Government should now fund and retire its issues of legal-tender notes, than to give greater opportunity to extend the issues of the banks? As the Government withdrew their legal-tender notes, the banks would issue so much more of their irredeemable paper.

It is useless for the Government to do any thing to diminish the volume of the currency so long as the State banks exercise the right, and are watching for every opportunity to extend their circulation; and it is impossible for anything to be done to correct the depreciation so long as the State banks are permitted, without any restraints of law, to fill all the channels of circulation with their own notes. In no other country, civilized or uncivilized, does the power exist with private corporations or individuals to exercise such a control over the currency of the country. Nowhere but here is the sovereign and irresponsible power delegated to individuals and to private corporations of furnishing and controlling the currency, which measures the value of all the property of the country. The cost of paper money is only the expense of the paper and engraving, and the trouble of preparing and signing the notes; but wherever it is used, it regulates the price of all the saleable property in the community. Mr. Webster, in one of his speeches, said, in reference to the excessive issues of the banks, that it was "the most effectual of inventions to fertil-

ize the rich man's field with the sweat of the poor man's brow," and "that banks should be restrained from issuing for circulation bills or notes under a given sum, say, ten or twenty dollars; this would diminish the circulation and, consequently, the profits of the banks; but it is of less importance to make banks highly profitable institutions to the stockholders than that they should be safe and useful to the community." How much more important is this now than at the time it was uttered by Mr. Webster; now when the life-blood of the nation is being exhausted by adding the excessive issues of the State banks to what the Government is obliged to issue to sustain itself!

I understand Mr. Webster to have meant, that when a sturdy pioneer in one of the new States of the West is induced to borrow money, on the pledge of his land, at three to five per cent. a month, he usually finds, after two or three years of toil, he has received no benefit from his labor; that the land he has cleared and cultivated has by law become the property of his accommodating but shrewder neighbor; and thereby it has become the rich man's field, fertilized by the sweat of that poor man's brow. I do not wish to be understood as saying that this occurs only in the West. The same thing is constantly going on in the Eastern States. The popular delusion that business is so profitable in this country that men can afford to pay one or two per cent. a month for money, tempts enterprising men to extend their operations and to engage in new undertakings with money borrowed at excessive rates, and in the majority of cases with precisely the result illustrated by this pithy expression of Mr. Webster. It is to prevent the national banks from making such loans that this law limits the rate of interest, not to exceed the rate of seven per centum per annum; and this rate was selected because it is the legal rate in the great commercial State of New York.

The banks authorized under this national law are restricted and controlled in regard to the amount of currency they can issue and in the rate of interest on their loans. In none of them can the amount of currency exceed the amount of the capital; and the whole amount of currency to be issued is limited to three hundred millions. The provisions of the law contain every suitable privilege that should be granted to any banks; every inducement is offered to organize the capital of the existing State banks under its provisions, by affording every facility to make the change, and bring in their circulation as a part of the three hundred millions which this law establishes as the maximum of the circulation of bank-notes.

If anything is to be attempted by Congress to control the present depreciation of the currency the right must be assumed to regulate the issue of the notes that furnish the currency of the country; and the circulation of any notes as money that are not actioned by this national law must be prevented by the enforcement of some stringent enactment. So long as the State banks are allowed to issue their notes without restraint, to be used as money.

any action of Congress or of the Treasury Department to prevent the depreciation of the currency is useless. It is just as wrong and just as indefensible, in principle, to issue a piece of paper money without the sanction and impress of the Government as it is to issue a piece of metallic money without that sanction and impress. I know no good reason why laws regulating the issue of paper money should not declare the issue and circulation of any other notes to be as great a crime as to issue and pass counterfeits of the coin of the country.

I have said that the national banking system was not inimical to the interests of the State banks, but that the object of this law was to offer every facility and inducement to the State banks to come in and avail of its benefits and be subject to its control. I think that no one can misunderstand that my object in supporting the bill to establish a national banking system has been to bring all the banks that issue notes for currency under it; that the currency of the country may be within the control and regulation of a national law applicable to the whole country, instead of being controlled and regulated by State law as it has been heretofore.

If Congress has not the power to regulate and control the circulation of notes for currency, in this great emergency, which requires the exercise of all its powers for national self-preservation, except, as Mr. Calhoun has said, through its power to tax any other currency that interferes with and depreciates its established measures of value, I hope it will exercise the power of taxation to its fullest extent; that it will decline to share any longer with States, or corporations, or individuals the sovereign right of furnishing and controlling the currency which measures the value of all the property within the country. I believe the existence of the nation is at stake upon this issue; that the present necessity requires the use of every legitimate means to sustain the credit of the Government. The national credit is the basis on which the future prosperity of the country depends. In no other way than by the wise and prudent exercise of the sovereign power to regulate the currency can those other important measures to sustain the Government—the loan bills and the revenue bills—be made effective. I appeal to members of the House, and I ask them if they can excuse themselves to their constituents and to posterity if they sacrifice the great interests that are now at stake to the comparatively petty interests of their local banking.

If this war is to be continued until its great object—the overthrow of this rebellion and the cause of it—has been accomplished, the people who remain at home must enter upon the work of sustaining the war with more earnestness. We have reached the point where sacrifices are required to be made; the people must submit to largely increased taxation; instead of increasing the salaries of Government officials, we must increase the value of the money in which the salaries are paid by checking the depreciation of the currency. To my mind, there can be no better example of sacrifice than for the State banks to yield to the nation

that control over the currency which, so far as it now prevails, is for their corporate advantage, and not for the public good. Without this control by the Government, all efforts to check the depreciation of the currency are useless. Those who complain of inadequacy of pay must consider it as their part of the sacrifice which they are called upon to make in this war—and must seek relief by joining in the attempt to create a public opinion in favor of all measures that will raise the value of the currency in which salaries are paid. A bill will soon be introduced from the Committee of Ways and Means largely increasing the taxes; but this will be insufficient for the purposes to be accomplished, unless we can have some power to secure the currency against depreciation.

The question has been asked by my friend from Iowa, why any banks should be authorized to furnish notes to be used as currency, instead of confining that right to the Government; and thereby giving to the people all the benefit and advantages, without cost for interest, of the fund obtained by supplying the circulation of the country. This question, from those in the interest of State banks, would seem to me a specious one. They know full well that State banks have so long exercised the right to furnish the currency, that any attempt to interrupt it would be made the pretence to excite prejudice in regard to State rights, behind which the State banks could shelter themselves against any direct action of Congress which affected their interest. The object of the national bank law is neither to destroy capital invested in the State banks, nor to prevent the circulation of bank notes, to which the people are accustomed; its only object is to bring under the control and regulation of one uniform national law, applicable to every State of the Union, all the State banks, and make their circulation a part of the three hundred millions which this law authorizes as the maximum amount of bank circulation in this country. When this object is accomplished, I am ready to join with the gentleman from New York, or others, on either side of the House, in favor of such practical restrictions of the Government issues as will prevent the depreciation of the currency. Unless defeat and disaster attend our military operations, I believe that specie prices and specie payments might be restored within the coming year.

Another reason why I think the currency of the country should not consist entirely of the issues of Government paper is that I have more faith in the power and stability of this Government than is expressed by many on the other side and by some few on this side of the House. The restoration of the currency and the resumption of specie payments does not seem to me so far off as others appear to think it; and believing that the resumption of specie payments is desirable and not impossible within no very distant period, it seems to me it may be necessary, when that time comes, to withdraw the Government notes from circulation, so that specie may again be the only "lawful money" of the country.

I see no way in which Government notes could be redeemed in specie; and I fear that any other legal tender than coin could not well exist with specie payments. Therefore, to confine the right of issuing paper for currency to the Treasury Department would seem to be a permanent arrangement for an irredeemable currency. When the act was passed authorizing the issue of the legal-tender notes, no one advocated it as a permanent measure, but only as a temporary expedient to meet the emergency that existed after the banks had suspended specie payments at the close of the year 1861.

One more reason I will state, why the issue of notes for currency should not be confined to the Government, which to my mind is very important: A Government cannot issue paper as money from its Treasury, and give it active circulation in the channels of trade and commerce throughout a great country, because its only means to accomplish that object is through its payments to public creditors. Whenever those payments are less than the amount required for the circulation, the currency must be insufficient for the business of the country; and it may be diverted temporarily into channels where it is not available for the general purposes of the business of the country. It follows necessarily from this, that no Government paper can be advantageously maintained in circulation, as the money of the country, without the Government assuming the functions of a bank, by loaning its notes to be used for currency; and the objection to this is too manifest. No Government can perform the functions of a bank, by loaning money, without becoming corrupt and progressively arbitrary and despotic.

The statement that this bill withdraws the property of individuals from State and municipal taxation is not correct. The property of any individual invested in these banks is taxable, like any other of their property, for State and municipal purposes. While the United States Bank was in existence the shares of stock held by any one in that bank, and the dividends received on them, were estimated as constituting a part of the property and income for which such person was subject to taxation under State law. But the Supreme Court decided that the bank could not be taxed by State law. Chief Justice Marshall, in rendering this decision, stated, as one of the reasons for it, that the power to tax was a power to destroy an institution created by the National Government.

To give to the States the power to tax the banks established under this law would destroy their character as national institutions. If the amendment giving that power to the States is adopted, I should consider the law of last year preferable to this, and should, therefore, be opposed to the passage of this bill. The law of last year, though not so perfect in all its details, is a good law, and one which the banks can act under with safety and with advantage, and I believe that it is mainly satisfactory to the country.

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OF

JOHN JAY KNOX,

COMPTROLLER OF THE CURRENCY,

BEFORE

THE COMMITTEE ON BANKING AND CURRENCY,

HOUSE OF REPRESENTATIVES,

ON THE

SUBSTITUTE FOR A BILL TO RETIRE THE CIRCULATING-NOTES OF
THE NATIONAL BANKS, AND FOR OTHER PURPOSES.

PRINTED BY REQUEST OF THE COMMITTEE.

FEBRUARY 19, 1878.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1878.

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REMARKS OF MR. KNOX.

COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,

Tuesday Morning, February 19, 1878.

Mr. BUCKNER. The Committee is now ready to listen to the Comptroller of the Currency relative to the bill which proposes to retire the circulating-notes of the national banks.

Mr. KNOX. In accordance with a resolution of the Committee on Banking and Currency, and the request contained in your letter of the 15th instant, I now appear before the Committee to present my views on "the general merits and practical workings of a substitute for a bill to retire the circulating-notes of the national banks, and for other purposes."*

Section 1 of the pending bill provides for an issue of Treasury notes equal in amount to the circulation of the national banks, which shall be used in the redemption and retirement of such circulation.

The form of the notes is: "The United States of America are indebted to the bearer in the sum of — dollars;" and such notes are to be issued of the denominations and in the general similitude of the United States notes commonly known as legal-tenders. They are not to be a full legal-tender, but are to be "receivable in payment of all taxes, customs, excises, debts and demands of every kind due to the United States, and of all claims and demands against the United States, except for obligations made payable in coin or lawful money by existing laws; and shall be received by the Secretary of the Treasury at par for the four per centum bonds of the United States authorized to be issued by the act entitled 'An act to authorize the refunding of the national debt,' approved July 14, 1870."

In view of the decisions of the Supreme Court of the United States in reference to the issue of legal-tender notes by the Government as a war measure, it may be considered exceedingly doubtful whether the issue, in time of peace, of such notes as are contemplated by the bill is within the constitutional power of Congress.

Section 5136 of the Revised Statutes of the United States gives to each national bank the power "to have succession for the period of twenty years from its organization, unless it is sooner dissolved according to the provisions of its articles of association, or by the act of its

* For bill, see Appendix.

shareholders owning two-thirds of its stock, or unless its franchise becomes forfeited by some violation of law." Under this clause the national banks now in operation have acquired vested rights, among which are those of existence and the right to demand and receive circulating-notes on a deposit of United States bonds. If Congress should provide, by the passage of the pending bill, for the withdrawal of such rights, it is not improbable that the courts would be called upon to decide if such legislation is not unconstitutional and void.

Many other objections may be urged against the pending bill; but as I believe that the effect of its passage will be to abolish the national-banking system, to be followed by the repeal of section 3412 of the Revised Statutes, which imposes a "tax of ten per centum on the amount of notes of any person, or of any State bank or State-banking association, used for circulation and paid out by them," and the re-establishment of State banks, I shall confine my remarks, during the thirty minutes allowed me by your letter of invitation, to the advantages of the present system in comparison with that previously existing, and to the amount of profit derived by the national banks from the issue of circulating-notes.

PREVIOUS BANKING SYSTEMS.

Previous to the organization of the national-banking system, in 1863, the paper currency of the country was issued by banks organized under authority of the several State legislatures. New York had a free-banking system similar to that of the present national banks. In nearly all the other States banks were chartered by special act of the legislature. Many of these institutions had but a nominal capital, consisting chiefly of notes given by the stockholders for the amount of their shares.

In most of the States the shareholders of such banks were not made personally liable; no security was required for circulation; no provision was made for the redemption of notes at any commercial centre, and such banks were frequently organized by non-resident shareholders. In many of the States no returns of the banks were made to State authorities, and it was impossible to obtain even approximate statistics of the resources and liabilities of the banks.

There were many organizations which were merely banks of circulation—associations without capital, located at remote points and owned by non-residents—and which were established, not for the purpose of doing a banking business, but in order to convert State bonds into currency and obtain the interest on the bonds. During the administration of General Jackson the losses to the people and to the

Government from the failures of banks and from an unsecured currency were frequent, and an attempt was made to influence State legislatures to prohibit the issue of small notes, with the hope of introducing specie into more general circulation and protecting the laboring classes from frequent losses. Government funds were not allowed to be deposited in banks which issued circulating-notes of a denomination less than ten dollars. Many measures of reform were proposed, yet but little was accomplished, for the reason that success depended upon the co-operative action of the legislatures of so many different States.

Mr. Gallatin, as early as 1831, proposed to tax out of existence State banks, and Mr. Woodbury, in 1836, urged upon the State legislatures the policy of requiring security for circulation, frequent examinations, and many restrictions; and it was proposed by different writers that the States should require the circulation to be based upon Government bonds. A national-banking system similar to the one now in operation was suggested, but was found impracticable for the reason that the public debt was not sufficiently large to constitute a basis for circulation, and the influence of the State banks already organized was sufficiently powerful to obtain a renewal of their charters whenever they expired.

THE ISSUE OF UNITED STATES NOTES DISAPPROVED BY HAMILTON, DALLAS, GALLATIN AND CHASE.

The proposition for the issue of circulating-notes by the Government was early discussed, but was not favored.

Alexander Hamilton, Secretary of the Treasury, in his report of December 13, 1790, gives at length his reasons for the necessity of the organization of a Bank of the United States, and disapproves of the proposition to issue United States notes. He says:

"The emitting of paper money by the authority of Government is wisely prohibited to the individual States by the National Constitution, and the spirit of that prohibition ought not to be disregarded by the Government of the United States. Though paper emissions, under a general authority, might have some advantages not applicable, and be free from some disadvantages which are applicable to the like emissions by the States separately, yet they are of a nature so liable to abuse, and, it may even be affirmed, so certain of being abused, that the wisdom of the Government will be shown in never trusting itself with the use of so seducing and dangerous an expedient.

"In times of tranquillity it might have no ill consequence; it might even, perhaps, be managed in a way to be productive of good; but, in great and trying emergencies, there is almost a moral certainty of its becoming mischievous. The stamping of paper is an operation so much easier than the laying of taxes, that a government in the practice of

paper emissions would rarely fail, in any such emergency, to indulge itself too far in the employment of that resource, to avoid as much as possible one less suspicious to present popularity. If it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree which would occasion an inflated and artificial state of things incompatible with the regular and prosperous course of the political economy.

“Among other material differences between a paper currency, issued by the mere authority of government, and one issued by a bank, payable in coin, is this: that, in the first case, there is no standard to which an appeal can be made, as to the quantity which will only satisfy, or which will surcharge the circulation; in the last, that standard results from the demand. If more should be issued than is necessary, it will return upon the bank. Its emissions, as elsewhere intimated, must always be in a compound ratio to the fund and the demand; whence it is evident that there is a limitation in the nature of the thing; while the discretion of the Government is the only measure of the extent of the emissions by its own authority. This consideration further illustrates the danger of emissions of that sort, and the preference which is due to bank paper.”

An issue of \$60,500,000 of Treasury notes was authorized between June 30, 1812, and February 24, 1815, of which amount \$36,680,794 was issued. A portion of these notes were of a denomination less than \$100; the remainder, which were of denominations of \$100 and upward, bore interest at the rate of “one cent and one-half a cent per day” on every one hundred dollars of principal, each month being reckoned as thirty days. These notes were everywhere receivable in all payments to the United States, but were depreciated from eight to ten per cent. below bank-notes, which bore no interest but were redeemable in specie.

Mr. Dallas, Secretary of the Treasury, on October 6, 1814, transmitted a report to the Committee of Ways and Means upon this subject, in which he says:

“The multiplication of State banks in the several States has so increased the quantity of paper currency that it would be difficult to calculate its amount, and still more difficult to ascertain its value. Under favorable circumstances, and to a limited extent, an emission of Treasury notes would probably afford relief; but Treasury notes are an expensive and precarious substitute either for coin or bank-notes, charged as they are with a growing interest, productive of no countervailing profit or emolument, and exposed to every breath of popular prejudice or alarm. The establishment of a national institution, operating upon credit, combined with capital, and regulated by prudence and good faith, is, after all, the only efficient remedy for the disordered condition of our circulating medium. The establishment of a national bank will not only be useful in promoting the general welfare, but it is necessary and proper for carrying into execution some of the most important powers constitutionally vested in the Government.”

Mr. Gallatin, in 1831, refers to the proposed issue of Treasury notes as follows:

"The general objections to a paper issued by Government have already been stated at large, yet it must be admitted that there may be times when every other consideration must yield to the superior necessity of saving or defending the country. If there ever was a time or a cause which justified a resort to that measure, it was the war of the independence. It would be doing gross injustice to the authors of the Revolution and founders of that independence to confound them with those Governments which, from ambitious views, have, *without necessity, inflicted that calamity on their subjects.*"

"The old Congress, as the name purports, were only an assembly of plenipotentiaries, delegated by the several colonies or States. They could only recommend; and had not the power to lay, taxes. The country was comparatively poor; extraordinary exertions were necessary to resist the formidable powers of Great Britain. Those exertions were made, and absorbed all the local resources; the paper money carried the United States through the most arduous and perilous stages of the war, and, though operating as a most unequal tax, it cannot be denied that it saved the country. It is to be hoped that a similar state of things will not again occur; but, at all events, *the issue of a Government paper ought to be kept in reserve for extraordinary exigencies.*"

Other financial writers of that time took substantially the same view of the subject.

Secretary Chase, in his report of 1861, discussed the proposition to substitute demand notes, payable in coin, in place of the notes of private banking corporations, and also the proposition to issue national bank notes, secured by the pledge of United States bonds, to replace the existing bank-notes authorized by the laws of the several States. The advantages claimed for the latter plan were, a currency of uniform security and value, protection from losses in discounts and exchanges, increased facilities to the Government in obtaining loans, a diminution of the rate of interest or a participation by the people in the profits of circulation, an avoidance of the perils of a great money monopoly, and a distribution of the bonds of the nation to the leading monetary associations of the country, thus identifying their interests with those of the Government.

In December, 1862, in his annual report, he again urged his objections to the issue of United States notes. The principal objections were thus stated by him:

"(1.) The facility of excessive expansion when expenditures exceed revenue. (2.) The danger of lavish and corrupt expenditure stimulated by facility of expansion. (3.) The danger of fraud in management and supervision. (4.) The impossibility of providing it in sufficient amounts for the wants of the people whenever expenditures are reduced to equality with revenue or below it."

In discussing the fourth objection, he says:

“Whenever the country shall be restored to a healthy normal condition, and receipts exceed expenditures, the supply of United States notes will be arrested, and must progressively diminish. Whatever demand may be made for their redemption in coin must hasten this diminution, and there can be no reissue; for reissue, under the conditions, necessarily implies disbursement, and the revenue, upon the supposition, supplies more than is needed for that purpose. There is, then, no mode in which a currency in United States notes can be permanently maintained, except by loans of them when not required for disbursement, on deposits of coin or pledge of securities, or in some other way. This would convert the Treasury into a Government bank, with all its hazards and mischiefs. If these reasonings be sound, little room can remain for doubt that the evils certain to arise from such a scheme of currency, if adopted as a permanent system, greatly overbalance the temporary though not inconsiderable advantages offered by it.”

STATE-BANK NOTES TAXED OUT OF EXISTENCE.

The system of State banks, with the right to issue currency, continued for two years after the organization of the national-banking system. The capital of such banks in 1863 was four hundred and five millions, and their circulation two hundred and thirty-eight millions; but in 1865 an act was passed imposing a tax of 10 per cent. upon the amount of notes of any person, or of any State bank, used for circulation and paid out by any banking association after August 1, 1866. The circulation of the State banks was thus taxed out of existence, and their capital has since been largely transferred to the national-banking system, the total capital of all the State banks and private bankers being at the present time but two hundred and twenty-five millions of dollars.

STRENGTH AND UTILITY OF THE NATIONAL BANKS.

The legislation authorizing the national-banking system was the result of a great war, and it is not probable that such a system could have been organized in time of peace. The success of the system has been greatly beyond the anticipations of its advocates, and it is generally acknowledged that it is the equal or superior of any system heretofore devised. Its merits do not consist alone in the safety of its circulating notes. It is a free system, and is not open to the objection of other banking systems, that it is a monopoly. Its restrictions are numerous and burdensome, and its penalties severe. The profits to the stockholders for the last five years have not been so great as in the systems of State banking which preceded it, as may be seen from the following table, which shows, by geographical divisions, the ratio of

dividends to capital and surplus for the years ending September 1, from 1870 to 1877, inclusive:

Geographical divisions.	Ratio of dividends to capital and surplus.								
	1870.	1871.	1872.	1873.	1874.	1875.	1876.	1877.	Average.
New England States	8.4	8.3	8.1	8.2	7.7	7.6	6.7	6.0	7.6
Middle States	8.1	7.9	7.9	7.9	7.6	7.6	7.7	6.6	7.7
Southern States	10.7	10.1	9.5	8.8	8.2	7.7	7.6	7.1	8.7
Western States	8.5	8.9	9.3	9.0	8.6	8.6	8.1	9.6	8.8
United States	8.4	8.3	8.3	8.3	7.9	7.8	7.5	7.1	7.9

The statistics which it furnishes to the public and to Congress are more complete and accurate than any that have ever been obtained in any country under any previous system, and all efforts to obtain similar statistics of the condition of the State institutions now in existence have proved unavailing.

Section 333 of the Revised Statutes requires the Comptroller to report annually to Congress the condition of banks organized under State laws, so far as such information can be obtained from official sources; but in at least half of the States in the Union satisfactory information cannot be obtained, for the reason that the institutions mentioned are not required by State laws to make satisfactory reports to any State officer.

While the failures of State banks and savings banks have been numerous and the resulting losses enormous, it is estimated that the total losses to creditors from the nearly 2,400 national banks organized during the last fifteen years have not exceeded six millions of dollars, an amount probably not equal to the losses which have fallen upon the creditors of savings banks and State banks during the past year alone.

The national banks have accumulated a surplus fund of more than one hundred and twenty millions of dollars, under a provision of law which requires that one-tenth part of the net profits of every bank shall be semi-annually carried to its surplus fund, until the same shall amount to 20 per cent. of its capital. The total surplus of the national banks now equals more than 25 per cent. of their capital, and is a fund to which losses and bad debts are chargeable. This fund was chiefly accumulated during the prosperous period which followed the termination of the late war, but during the last two years its amount has been decreased through losses by more than eleven millions of dollars.

The gradual accumulation of the surplus fund is shown in the follow-

ing table, which exhibits its amount and yearly increase from 1863 to the present time:

Date.	No. of banks.	Amount of surplus.	Semi-annual increase.	Semi-annual decrease.
July, 1864	467	\$1,129,910		
Jan., 1865	638	8,663,31	\$7,533,401	
July, 1865	1294	31,303,566	22,640,255	
Jan., 1866	1582	43,000,37	11,696,805	
July, 1866	1634	50,151,992	7,151,621	
Jan., 1867	1648	59,992,875	9,840,883	
July, 1867	1636	63,232,81	3,239,936	
Jan., 1868	1642	70,586,126	7,353,315	
July, 1868	1640	75,840,19	5,253,993	
Jan., 1869	1628	81,169,937	5,329,818	
June, 1869	1619	82,218,576	1,048,639	
Jan., 1870	1615	90,174,28	7,955,705	
June, 1870	1612	91,689,834	1,515,553	
Dec., 1870	1648	94,705,740	3,015,906	
June, 1871	1723	98,322,204	3,616,464	
Dec., 1871	1790	101,573,154	3,250,950	
June, 1872	1853	105,81,943	3,608,789	
Dec., 1872	1940	111,410,249	6,228,306	
June, 1873	1968	116,847,455	5,437,206	
Dec., 1873	1976	120,961,268	4,113,813	
June, 1874	1983	126,239,308	5,278,040	
Dec., 1874	2027	130,485,64	4,246,333	
June, 1875	2076	133,169,095	2,683,454	
Dec., 1875	2086	133,085,422		\$83,673
June, 1876	2091	131,897,197		1,188,255
Dec., 1876	2082	131,390,665		506,532
June, 1877	2078	124,74,073		6,676,592
Dec., 1877	2073	121,568,455		3,145,618

More than nineteen millions of dollars of losses have been charged to surplus and to other earnings by the national banks during each of the last two years, as may be seen by the following tables, showing, by geographical divisions, the losses charged off by them during the years named:

	1876.				
	Six months ending March 1, 1876.		Six months ending September 1, 1876.		
Geographical divisions.	No. of banks	Losses charged off.	No. of banks	Losses charged off.	Total for 1876.
New England States.....	201	\$1,485,531 51	282	\$3,074,128 01	\$4,559,659 52
Middle States.....	268	3,553,128 79	344	7,156,348 47	10,709,477 26
Southern States.....	67	308,861 50	90	896,890 84	1,205,752 34
Western States.....	252	1,000,912 52	302	1,933,506 28	2,934,418 80
Pacific States and Terri- tories.....	18	152,735 50	16	156,983 00	309,718 50
Totals	806	6,501,169 82	1,034	13,217,856 60	19,719,026 42

1877.

Geographical divisions.	Six months ending March 1, 1877.		Six months ending September 1, 1877.		Total for 1877.
	No. of banks	Losses charged off.	No. of banks	Losses charged off.	
New England States.....	289	\$2,465,327 63	312	\$4,825,040 56	\$7,290,368 19
Middle States.....	314	3,462,684 08	353	3,945,805 59	7,408,489 67
Southern States.....	80	478,251 64	86	511,841 49	990,093 13
Western States.....	276	1,470,454 97	335	2,356,874 56	3,827,329 53
Pacific States and Terri- tories.....	21	299,242 24	22	118,065 23	417,307 47
Totals.....	980	8,175,960 56	1,108	11,757,627 43	19,933,587 99

The ratio of earnings of the national banks to capital and surplus for the year 1876 was but 6.87 per cent., and for 1877 but 5.62.

If the present system should be discontinued, it is probable that the existing surplus fund would be distributed among the shareholders, and it is very doubtful if, under any future system, so large a surplus will ever again be accumulated for the safety of the creditors of the banks.

PROFIT ON CIRCULATION.

The only reason advanced by the advocates of the repeal of the system is that money may be saved to the Government by authorizing it to issue the circulation now furnished by the national banks. The greatest amount of national-bank notes outstanding at one time was on December 1, 1874, when it reached \$352,394,346. The amount now outstanding of banks in operation is about \$300,000,000, showing a reduction of more than fifty millions within the last three years. If the profit upon circulation were as great as is generally supposed, it is not to be presumed that the banks would voluntarily surrender the source from which such great profit were derived. In my report for 1875 I gave a statement showing that the annual profit to the banks from this source did not at that time exceed ten millions of dollars, and that the average annual value of circulation to the national banks of the country was not more than $2\frac{1}{4}$ per cent. upon the capital invested. I have now prepared a similar statement, showing that the profit at the present time does not much exceed that amount.

The table below exhibits the various classes and amounts of U. S. bonds held by the U. S. Treasurer to secure national-bank circulation on February 15, 1878, their currency value, according to the quotations at the New York stock exchange on that date, the amount of circulation

issuable thereon, and the amount of interest derived from them, both in gold and currency value, gold being quoted on that date at $2\frac{1}{4}$ per cent. premium:

Class of bonds.	Par value.	Currency value.	Circulation issuable.	Gold interest.	Currency value of interest.
Sixes of 1881	\$59,109,500	\$62,803,844	\$53,198,550	\$3,546,570	\$3,626,368
Five-twenties of 1865 ..	6,000	6,135	5,400	360	368
Five-twenties, (new) ..	7,854,200	8,148,732	7,068,780	471,252	481,855
Five-twenties of 1867 ..	7,794,600	8,252,533	7,015,140	467,676	478,199
Five-twenties of 1868 ..	1,914,500	2,176,805	1,723,050	114,870	117,455
Ten-forties of 1864	75,185,400	79,132,634	67,666,860	3,759,270	3,843,854
Fives of 1881	124,629,500	130,237,828	112,166,550	6,231,475	6,371,683
Four and a half of 1891 ..	44,144,850	45,248,471	39,730,365	1,986,518	2,031,215
Fours of 1907	17,802,000	18,002,272	16,071,800	712,080	728,102
Pacific Railroad bonds ..	7,803,000	9,363,600	7,022,700	.....	468,180
Totals	346,243,550	363,372,854	311,619,195	17,290,071	18,147,279

If there be deducted from the amount of capital required to purchase the bonds for circulation, (\$363,372,854,) the amount of premium which they bore on February 15, 1878, (\$17,129,304,) as well as the ten per cent. margin for which no circulation is issued, (\$34,624,355,) the available means of the banks derived from circulation will be reduced from \$363,372,854 to \$311,619,195.

The annual interest on the bonds in which the amount of capital named (\$363,372,854) is invested amounts to \$17,290,071 in gold and \$468,180 in currency, the total currency value of the interest on February 15, 1878, gold being quoted at the New York Stock Exchange at $2\frac{1}{4}$ per cent. premium, being \$18,147,279; but as the banks are required to pay annually into the Treasury of the United States one per cent. upon their circulation, or \$3,116,192 as a tax thereon, there is left \$15,031,087 in currency, as the net amount of interest received by them annually on their bonds.

Upon receiving circulation the banks are required by the act of June 20, 1874, to place an amount equal to five per cent. thereof, or \$15,580,960, with the Treasurer of the United States as a redemption fund, leaving, of the \$311,619,195 of circulation issuable upon their bonds, \$296,038,235 available for use—which amount, if loaned at 8 per cent. per annum, (estimated as the average rate of interest throughout the country,) will produce an income of \$23,683,059; and this income added to the net interest received on their bonds (\$15,031,087) gives \$38,714,146 as the whole income derived by the national banks from their circulation and from the bonds deposited to secure it.

If the capital necessary to purchase the bonds (\$363,372,854) were

loaned at 8 per cent. annual interest, the annual income thereon would be \$29,069,828, and the difference between this sum and the whole income of the banks from their bonds and circulation, (\$38,714,146,) which is \$9,644,317, or $2\frac{45}{100}$ per cent. on the capital invested, represents the profits that the banks would receive over and above what could be obtained from the loan of the same amount of capital at the rate of interest named, provided that the whole amount of circulation received by the banks upon their bonds, less the redemption fund, could be kept loaned out by them continually throughout the year.

This is concisely shown as follows:

Interest on \$296,033,235 of circulation loaned at 8 per cent. per annum.....	\$23, 683, 059
Currency value of interest on bonds.....	18, 147, 279
Total	41, 830, 338
Less tax on circulation.....	3, 116, 192
Total income from capital employed.....	38, 714, 146
The same capital loaned directly at 8 per cent. per annum would earn	29, 069, 828
Difference, representing profit on circulation when the whole amount issued is loaned continually throughout the year.....	9, 644, 318

Two and sixty-five hundredths per cent. on the capital employed (\$363,372,854) is \$9,629,381, which, as shown above, is about the value of circulation to the national banks if they could keep the whole amount of their issues loaned out all the time.

In the above calculation no deduction is made for the costs of the redemption of the bank circulation, which lessens by so much the profits on circulation. The cost of redemption for the fiscal year ending June 30, 1877, was \$357,066 10; for the year ending June 30, 1876, \$365,193 31; and for the year ending June 30, 1875, \$290,965 37.

In localities where the annual rate of interest is 7 per cent., the value of circulation is about three per cent. per annum, and where the rate is 10 per cent., the profit is about two per cent.

The large margin (\$51,753,659) between the value of the bonds owned by the banks and the circulation issuable thereon, would, in case of disaster, be available as a reserve for the payment of the depositors or other creditors; and this is an additional argument in favor of issuing circulation under the restrictions of the law as now provided.

Another point that should be considered in estimating the value of circulation is, that the banks held their bonds at a premium, which,

though it has been greatly reduced in the past, still appears among their assets for a large amount, and which will disappear when the bonds shall be made payable in a medium which does not itself bear a premium. The amount of premium appearing as an asset of the banks on December 28, 1877, the date of the last report of their condition, was \$8,834,639.

If all of the bonds of the banks necessary to secure their circulation were converted into four per cent. bonds, the value of circulation, taking the same amounts of bonds and circulation as are used above would be shown as follows:

Interest on \$296,038,235 of circulation, loaned at 8 per cent. per annum.....	\$23, 683, 058
Currency value of interest on bonds.....	14, 161, 361
Total	37, 844, 419
Less tax on circulation.....	3, 116, 192
Total profit on capital employed.	34, 728, 227
The same capital loaned directly at 8 per cent. per annum would earn	28, 011, 103
Difference, representing profit on circulation when the whole issue is kept loaned out.	6, 717, 124
which is $1\frac{9}{16}$ per cent. on the capital employed.	

If the rate of interest were 7 per cent., the profit on circulation would be $2\frac{7}{10}$ per cent.; and if the rate were 10 per cent., the profit would be $1\frac{61}{100}$ per cent.

Another important consideration is, that the average rate of State taxation, during the year 1876, was two per cent. upon the capital of the national banks; and if they should go into liquidation, and the owners of the bonds should continue to hold them, the amount of State taxation saved to them would nearly or quite equal the benefit they now derive from circulation.

EFFECT OF THE PASSAGE OF THE BILL.

The pending bill proposes to abolish the system of national banks after a successful trial of fifteen years, and to give to Congress the right to issue the paper money of the country—such money not to be a full legal-tender nor a promise to pay, but a species of irredeemable currency not before issued since the organization of the Government. It will have the effect to keep the subject of the currency continually before the people, and propositions for the enlargement or diminution of its volume will be likely to be introduced in each successive Congress. The only way in which such a currency could be issued with

any degree of safety would be by a limitation of its amount. That limitation can be secured only by an amendment to the Constitution of the United States, through the affirmative action of the legislatures of three-fourths of the States of the Union; and while so great a diversity of opinion upon this subject exists as at present, it is not at all probable that a sufficient number of the States could be brought to agree upon any amount which might be proposed as a limit.

The effect of the repeal of the present system would probably be the re-establishment of the old State systems in operation previous to the organization of the national banks. The New England, Middle, and Southern States now possess more than three-fourths of the entire capital and circulation of the national banks. It is believed that, if the question were squarely presented, the vote of the representatives in Congress from the Eastern and Middle States would be found to be almost unanimously opposed to the issue by the Government, exclusively, of the paper currency of the country; and, while the representatives of the Southern States do not generally favor the national system, neither are they in favor of an exclusive issue of United States notes. They prefer a system of State banks; and it is probable that, were the national system abolished, a large portion of the representatives of the New England, Middle, and Southern States would favor a return to State banks, rather than an exclusive issue of Treasury notes. The Eastern and Middle States have been habituated from the foundation of the Government to State-bank issues, and have suffered comparatively little from such circulation. The national-banking system is not popular with the South, for the reason that they have not at present the capital with which to procure the necessary United States bonds, and also because the rates of interest are so high in those States that there is no profit upon national-bank issues. The Eastern and Middle States, as matters now stand, prefer the present system, and it is altogether probable that the passage of such a bill as is now pending in this Committee, which in effect abolishes the national-banking system, would be soon followed by a repeal of section 3412 of the Revised Statutes, which imposes a tax of ten per cent. upon issues of State-bank notes.

ASSISTANCE OF NATIONAL BANKS IN FUNDING THE DEBT.

The New York free-banking act, which was the first act passed by any State authorizing the issue of circulating-notes based upon bonds deposited as security therefor, furnished a market for the bonds of that State, and thereby increased their value. The national banks are the

owners of \$385,000,000 of United States bonds, while the circulation issued to them is not much in excess of \$300,000,000; and one of the chief objects in the organization of the system was to supply a steady market for, and facilitate the negotiation of, United States bonds, and to increase the value of such bonds beyond other funds of equal credit but not available for banking purposes. There is no doubt that these expectations have been more than fulfilled, and that the credit of the United States, and its ability to borrow money at low rates, have been greatly increased by making its bonds a basis for currency.

Nearly one-fourth of the 4 per cent. loan recently negotiated by the Government was subscribed for and is now held by the national banks; and, from the date of their organization, their assistance in the funding and the negotiation of the bonds of the Government has been fully recognized. In October, 1865, nearly three-fourths of the whole amount of bonds deposited by the national banks as security for circulation bore interest at the rate of 6 per cent. Now, less than one-fourth of the bonds so deposited are of the 6 per cent. class, while more than \$60,000,000 of them are of the 4 and 4½ per cent.; and there is but little doubt that, in the process of funding, the whole national-bank circulation will soon be based upon bonds bearing a rate of interest not exceeding 4 per cent., giving to the banks a profit, under present laws, of only about \$6,000,000 annually upon their circulation. It cannot be doubted that, under any system of State institutions that may be hereafter authorized, the losses to the people from exchange would be much greater annually than the amount of interest paid by the Government to the banks.

The profits of a well-conducted bank are not derived mainly from circulation, but from the use of deposits; and national banks are not at the present time organized so much on account of the profits upon circulation, as for the reason that these institutions have established a character which is of great value to them in the accumulation of deposits.

When the public debt shall be consolidated into a security bearing a low rate of interest, always salable on the market at a nearly uniform price, it will furnish a fund on which the surplus deposits of the banks can at all times be placed, thus obviating the necessity for holding the large proportion of cash reserves which are now maintained by the banks. When that time shall arrive, the bank circulation of the country may be safely based exclusively upon a bond bearing a rate of interest not exceeding three per cent., so that the income derived by the banks from the Government will be reduced to a comparatively insignificant amount.

NO SAVING TO THE GOVERNMENT BY THE PASSAGE OF THE BILL.

Upon the repeal of the ten per cent. tax upon the circulation of State banks, the several Eastern and Middle, and many of the Western States, would probably authorize the issue of currency based on United States, or State bonds, similar to the New York State system of a few years ago. The result would, therefore, be the disestablishment of our homogeneous system, which has been tried for a number of years and found to be excellent in most of its characteristics, and the substitution therefor of many other differing systems.

The chief objection urged to the national-banking system is that it is an expensive one to the Government; but even this objection would not be removed by its repeal, for banks organized under State laws would still deposit bonds of the United States or of the States, and receive interest upon them as well as upon the circulation to be issued thereon; so that, after having destroyed the present system and deranged the banking business of the country, it would be found that legislation had been travelling around a circle, and, in effect, re-established State institutions liable to the same objections which now exist against the national-banking system, but without many of the wholesome restrictions which now pertain to the latter.

The experience of the last fifteen years has shown that the present is a safe and good system of banking. It should not, therefore, be repealed; but, if possible, it should be so improved as to become and continue still more serviceable, both to the people and the Government, than it now is.

The system is yet in its infancy, yet it cannot be denied that it is vastly superior to any previously tried, and that it may be so moulded as to become the best that it is possible to devise. If now superseded by the re-establishment of the old State-banking systems, it is not at all probable that it can ever hereafter, through Congressional action, be restored.

CONCLUSIONS.

The foregoing views may be summarized as follows:

1. It may be doubted if Congress has the power to issue Treasury notes which shall be a legal-tender for all claims and demands against the United States, or to take from the national banks the vested rights which they have acquired under section 5136 of the Revised Statutes.

2. The experience of the country, and the judgment and opinions of Hamilton, Dallas, Gallatin and Chase, were against the exclusive issue of Treasury notes.

3. The profits which the national banks derive from the right of circulation are much less than is generally supposed.

4. The passage of the bill will be followed by the repeal of section 3412 of the Revised Statutes, which imposes a tax on State-bank circulation, and by the re-establishment of State banks.

5. The result will not be a saving to the Government, but will occasion greatly-increased expense and loss to the people, and further derangement of the business of the country.

APPENDIX.

The following is the bill of the Committee:

SUBSTITUTE FOR A BILL TO RETIRE THE CIRCULATING-NOTES OF THE NATIONAL BANKS, AND FOR OTHER PURPOSES.

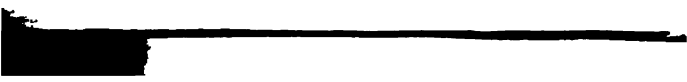
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That as soon as may be practicable, after the passage of this act, the Secretary of the Treasury shall cause to be prepared an issue of Treasury notes equal in amount to the circulation of the national banking associations on the — day of —, anno Domini eighteen hundred and seventy-eight; which shall be used in the redemption and retirement, in the way hereinafter provided, of the circulating-notes of the national banks; which Treasury notes shall be in the following form:

“WASHINGTON, D. C., —.

“The United States of America are indebted to the bearer in the sum of — dollars;” and shall be signed by the Treasurer of the United States, and countersigned by the Register of the Treasury, or their signatures be thereto engraved; and shall contain such devices and superscriptions as the Secretary of the Treasury shall direct; and the denominations of such notes and the general similitude thereof shall conform, as nearly as may be, to those of the United States notes commonly known as legal-tender notes. They shall be receivable in payment of all taxes, customs, excises, debts, and demands of every kind due to the United States, and of all claims and demands against the United States, except for obligations made payable in coin or lawful money by existing laws; and shall be received by the Secretary of the Treasury at par for the four per centum bonds of the United States authorized to be issued by the act entitled “An act to authorize the refunding of the national debt,” approved July fourteenth, eighteen hundred and seventy.

SEC. 2. Immediately after the Treasury notes provided for in the preceding section shall be ready for circulation, the Secretary of the Treasury shall cause them to be forwarded to the assistant treasurers of the United States at New York, Boston, Philadelphia, Baltimore, Cincinnati, Chicago, Saint Louis, and New Orleans, in amounts proportioned to the receipts and disbursements of their several offices, with regulations and instructions to the following tenor, to wit:

First. That the said assistant treasurers shall, immediately after the receipt of such Treasury notes, cease to pay, in disbursement of the public funds, upon any account whatever, the circulating-notes of the national banks then in their several offices, or thereafter received into them, but shall pay out, in the place and stead of such national-bank notes, and in substitution therefor, the Treasury notes herein authorized, until the whole circulating-notes of the national banks shall have been retired. And the assistant treasurers may at any time issue such Treasury notes in exchange for bank-notes upon the application of any person or bank.



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SEC. 7. All banking associations organized under existing laws, with power to issue circulating-notes, redeemable in gold coin, shall make a monthly deposit in the Treasury of the United States, in gold coin or their own circulating-notes, equal to five per centum of their circulation outstanding at the date of the passage of this act; and when an amount equal to the outstanding circulation of such gold banks shall have been deposited with the Treasurer in gold coin, or in their own circulating-notes, the bonds of the United States held by the Treasurer to secure the circulating-notes of said gold banks shall be reassigned and delivered to said banks; and thereafter the circulating-notes of said banks shall be redeemed at the Treasury of the United States.

SEC. 8. No circulating-notes shall be issued to any national banking association after the passage of this act; but nothing herein contained shall be construed either to authorize or allow any contraction of the currency by reason of its operation; and should any national bank, after its passage, retire its circulation in pursuance of existing law, the Secretary of the Treasury is hereby directed to issue, in the purchase of six per centum bonds of the United States, the Treasury notes authorized by this act, to the full amount of the circulation retired by such association. And all the national-bank notes redeemed under the several provisions of this act shall be canceled and destroyed, under such rules and regulations as the Secretary of the Treasury shall prescribe; and in the monthly statement of the condition of the public debt made by the Secretary, he shall include an exhibit of the amount of the Treasury notes herein provided for outstanding at the date of such statement, together with the amount of national-bank notes which up to the same date have been redeemed and destroyed.

SEC. 9. The third section of the act entitled "An act for fixing the amount of United States notes, providing for a redistribution of national-bank currency, and for other purposes," approved June twentieth, eighteen hundred and seventy-four, requiring the national banks to keep on deposit with the Treasurer of the United States at Washington lawful money equal to five per centum of their circulation, to be held and used for the redemption of such circulation, is hereby repealed.

SEC. 10. All acts and parts of acts inconsistent with the provisions of this act are hereby repealed.

Second. That the assistant treasurers shall, every thirty days after the process of retiring the national-bank notes shall have been begun as above directed, or oftener, if the Secretary of the Treasury shall require, transmit to the Treasurer of the United States, at Washington, all the national-bank notes received by them up to the date of such transmission; which said notes shall be received by the Treasurer in liquidation of the charges against the several assistant treasurers on account of Treasury notes as herein provided.

SEC. 3. It shall be the duty of the Treasurer, as rapidly as the notes of the national banks are received into his office from the assistant treasurers, to cause them to be counted and assorted, and the notes of each association carefully ascertained; and whenever those of any association shall be ascertained to the amount of five thousand dollars, or any multiple of five thousand dollars, such association shall be notified thereof, and shall be entitled to receive, upon demand and payment of a like sum in legal-tender notes, or the Treasury notes authorized by this act, or in drafts or certificates of deposit of the assistant treasurers, or of such national banks as may be designated by the Secretary of the Treasury for that purpose, its bonds on deposit with the Treasurer for security of circulation to the amount of its notes so ascertained and notified, and to that extent shall be discharged from tax on its circulation. And if any national bank shall fail or neglect, for a period of sixty days after the notification above directed, to make payment in redemption of its bonds in accordance therewith, then to that extent interest on its bonds, bearing interest at the highest rate, shall cease and be forfeited to the United States during the whole period such failure or neglect shall continue; and any banking association desiring so to do may withdraw all its bonds on payment into the Treasury of legal-tender notes or the notes authorized by this act to the amount of its circulating notes outstanding at the date of such payment.

SEC. 4. The Secretary of the Treasury is hereby required from time to time, as payments are made by the national banks on the withdrawal of their bonds, or as Treasury notes may be received in exchange for four per centum bonds, as authorized in the first section of this act, to expend the sum of such receipts either in Treasury notes or legal-tender notes, as may be most expedient, in purchase of the six per centum bonds of the United States, redeemable at the pleasure of the Government, or in the purchase of gold or silver coin with which to redeem and pay such bonds.

SEC. 5. Any national bank desiring to exchange its six per centum bonds for the Treasury notes authorized by this act, upon application to the Treasurer of the United States, and upon payment into the Treasury in accordance with such regulations as the Secretary shall establish, of legal-tender notes or Treasury notes equal to its outstanding circulation at the date of such application, shall be entitled to receive Treasury notes to the full market value of its six per centum bonds on deposit with the Treasurer for security of circulation at the time, and in addition thereto the amount of its accrued interest and premium at the market rate.

SEC. 6. And in the contingency of there being a deficiency of coin in the Treasury at any time to meet the coin interest on any bonds of the United States, the Secretary of the Treasury is authorized to dispose of bonds of either of the classes authorized by the said act of July fourteenth, eighteen hundred and seventy, at not less than par, either at home or abroad, in order to pay the said interest.

SEC. 7. All banking associations organized under existing laws, with power to issue circulating-notes, redeemable in gold coin, shall make a monthly deposit in the Treasury of the United States, in gold coin or their own circulating-notes, equal to five per centum of their circulation outstanding at the date of the passage of this act; and when an amount equal to the outstanding circulation of such gold banks shall have been deposited with the Treasurer in gold coin, or in their own circulating-notes, the bonds of the United States held by the Treasurer to secure the circulating-notes of said gold banks shall be reassigned and delivered to said banks; and thereafter the circulating-notes of said banks shall be redeemed at the Treasury of the United States.

SEC. 8. No circulating-notes shall be issued to any national banking association after the passage of this act; but nothing herein contained shall be construed either to authorize or allow any contraction of the currency by reason of its operation; and should any national bank, after its passage, retire its circulation in pursuance of existing law, the Secretary of the Treasury is hereby directed to issue, in the purchase of six per centum bonds of the United States, the Treasury notes authorized by this act, to the full amount of the circulation retired by such association. And all the national-bank notes redeemed under the several provisions of this act shall be canceled and destroyed, under such rules and regulations as the Secretary of the Treasury shall prescribe; and in the monthly statement of the condition of the public debt made by the Secretary, he shall include an exhibit of the amount of the Treasury notes herein provided for outstanding at the date of such statement, together with the amount of national-bank notes which up to the same date have been redeemed and destroyed.

SEC. 9. The third section of the act entitled "An act for fixing the amount of United States notes, providing for a redistribution of national-bank currency, and for other purposes," approved June twentieth, eighteen hundred and seventy-four, requiring the national banks to keep on deposit with the Treasurer of the United States at Washington lawful money equal to five per centum of their circulation, to be held and used for the redemption of such circulation, is hereby repealed.

SEC. 10. All acts and parts of acts inconsistent with the provisions of this act are hereby repealed.



Har. & J. J. J. J.
EXAMINATIONS OF SPEECHES.

SPEECH
OF
HON. JOHN LYNCH,
OF MAINE,

DELIVERED
IN THE HOUSE OF REPRESENTATIVES,

JANUARY 26, 1869.

WASHINGTON:
F. & J. RIVES & GEO. A. BAILEY,
REPORTERS AND PRINTERS OF THE DEBATES OF CONGRESS.
1869.



Resumption of Specie Payments.

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Resumption of Specie Payments.

House proceeded to the consideration of Mr. LYNCH, to reconsider the bill by which the bill (H. R. No. 1364) to provide for the gradual resumption of specie payments was recommitted to the Committee on Banking and Currency, and upon which Mr. LYNCH was entitled to the floor. The following is the bill:

provide for the gradual resumption of specie payments.

Enacted by the Senate and House of Representatives of the United States of America in Congress assembled on and after the 1st day of July, 1869, the States notes now outstanding shall, when in the course of ordinary transactions at the Treasury of the United States, be destroyed under the authority of the Secretary of the Treasury, and thereupon the Secretary of the Treasury is authorized and directed to issue new United States notes of the same denominations as those in which they are issued, payable in coin on demand at the Treasury of the United States, at and after one year from date; and all notes of national currency now received at the Treasury and not paid out shall, when they are received at the Treasury, be destroyed, and new notes shall be issued in their stead notes authorized by this act shall be legal tender for the redemption of the new notes authorized by this section shall not exceed the amount of United States notes now outstanding, exclusive of fractional currency.

And be it further enacted, That notes authorized by this act shall be legal tender for the redemption of national bank notes, and for all other purposes and to all parties, except by the United States in payment of other such notes as have matured, or in payment of the interest on the debt where such interest is now or here-

after may be, payable according to law in coin; and also except before maturity in payment to the United States for duties on imports. And in case of the receipt at the Treasury before or after maturity, or the redemption at and after maturity, of any of the notes authorized by this act, the Secretary of the Treasury is hereby authorized and directed to re-issue the notes so received or redeemed, or to issue an equal amount and no more of other like notes, payable as hereinbefore provided, on demand, at and after one year from date, except as provided for in section three of this act.

SEC. 3. And be it further enacted, That the Secretary of the Treasury is hereby authorized, after the payment in specie herein provided for shall have actually commenced, at his discretion, to issue the notes hereby authorized for periods of less than one year, but not less than three months. He shall also issue new notes of like denominations, in lieu of any notes herein authorized which shall have been redeemed; and he is also authorized to purchase at any time coin requisite to enable him to redeem such notes; and in payment therefor he may, at his discretion, issue to an amount not exceeding fifty million dollars bonds of the United States in such form as he may prescribe, of denominations not less than fifty dollars, payable at any period not more than forty years from date of issue, redeemable at the pleasure of the Government at or after five years from such date, and the interest on such bonds shall be payable semi-annually in coin, at the rate of not exceeding six per cent. per annum; and the rate and character of interest shall be expressed on all such bonds: *Provided*, That no such bonds shall be issued at less than par in lawful money of the United States.

SEC. 4. And be it further enacted, That an accurate account shall be kept by the Treasurer of the United States of the amount and denominations of all the United States notes received into the Treasury of the United States and destroyed; and he shall also keep an accurate account of the amount and denominations of notes issued under authority of this act. The United States notes authorized by this act shall be in

such form as the Secretary of the Treasury may direct, and shall bear the written or engraved signatures of the Treasurer of the United States and the Register of the Treasury, and also, as evidence of lawful issue, the imprint copy of the seal of the Treasury Department, which imprint shall be made under the direction of the Secretary, after said notes shall be received from the engravers and before they are issued.

SEC. 5. *And be it further enacted*, That from and after the passage of this act no gold or silver belonging to the United States shall be sold or paid out from the Treasury, except in payment of lawfully authorized gold certificates, or in payment of interest on the public debt, where the same is, according to law, payable in coin, or as authorized in this act, or otherwise, expressly by law. But the exchange of bullion for coin with the United States mints is not hereby made unlawful.

Mr. LYNCH said:

Mr. SPEAKER: Among all the conflicting theories in regard to our financial affairs, and the means to be adopted for their improvement, there is a very general agreement upon one point, namely, that it is desirable at the earliest day practicable to place our currency upon a specie basis. I know there is a class of financiers that contend that a specie standard is wholly unnecessary, and that a paper currency, based upon the faith of the Government, is a better currency than gold and silver, or paper convertible into gold and silver. But this class is not numerous, and I will not stop to discuss the abstract question which they raise. Whether they are right or wrong is of little practical moment in dealing with the question to-day. It is enough to know that the specie standard is the standard of every civilized nation, and as one of the families of nations our interest is to conform to that standard. I shall therefore assume in discussing this question that we are ultimately to return to specie payments; to base our currency on that which the world recognizes, and has adopted as the true standard of value, gold and silver.

I think there is a very general agreement upon another point, which is that the currency of a country is the foundation upon which it must build its financial structure, and that upon this foundation we must reconstruct our financial policy.

With this general agreement in regard to the ends to be attained, there is an endless diversity of opinion as to the means which should be adopted in order to reach that end. Some contend that we should do nothing directly toward hastening a resumption, but that by a proper adjustment of the tariff and a rigid economy in the administration of the Government the balance of trade will be turned in our favor, and the desired result be thus brought about in due season, and without any disturbance in business. I agree with this view

so far as it assumes the impracticability of effecting a resumption of specie payments by any mere arbitrary enactment that it shall place at any fixed day in the future.

IMPORTANCE OF RESUMPTION.

If we had no commerce with other nations and if all transactions among ourselves settled when made; if there were no contracts for the future payment of money might adopt this course and patiently be the result. But such are not the conditions money is the subject of contracts for payment, as well as a medium of exchange and contracts for the future cannot be with confidence so long as our currency fluctuating and uncertain value. Again have an immense debt upon which, owing unfavorable circumstances under which contracted, we are paying a high rate of interest. Of this debt we have the option to

At any time.....	\$514
After October 31, 1869.....	123
After June 30, 1870.....	332
After October 31, 1870.....	197
After June 30, 1872.....	365
After June 30, 1873.....	17

Making a total of.....\$1 557,
which we have the option of paying at present time and during the next three

In order to avail ourselves of this option must negotiate a new loan at a lower rate of interest; and to do this we must improve credit, the depreciation of which is measured by the depreciation of our currency. Bonds have appreciated and depreciated our currency, and will continue to do so. Having made our paper currency the true standard of value, the world will measure credit by that standard, and there is no escape from it. When we make our currency redeemable in coin it will be at par with coin; our bonds will then be measured by a standard instead of by a paper standard.

Appreciate our currency to a par with gold and we can begin to pay that portion of our five-twenty bonds now outstanding which become redeemable at our option, and to issue new bonds at a low rate of interest. The present rate of interest in England and France at the present time three per cent.; we have considerably higher than it has averaged the past eighteen months. With our currency on a specie basis we could undoubtedly negotiate a loan at four per cent., which would enable us immediately to reduce our interest more than ten million dollars, and using to retire the five-twenty bonds a become redeemable, and thus effect, in three years, an annual reduction of our interest of more than thirty million dollars, therefore obviously desirable that some measures be taken, some measures enacted, calculated to facilitate a resumption of specie pay-

MEANS OF SUSTAINING SPECIE PAYMENTS.

proceeding to a consideration of the means proposed and urged upon Congress for the purpose of bringing about a result, let us examine carefully the means to perform and the resources at our disposal with which to accomplish the work. The report of the Treasury January 1, 1869, shows the demand liabilities to be as follows:

United States notes.....	\$356,021,073
currency.....	34,215,715
	<hr/>
	390,236,788
bank notes.....	299,806,565
	<hr/>
	690,043,353
to which we have to provide	
demand, matured debt not pre-	
paid payment.....	\$7,468,503
unpaid certificates pay-	
able demand.....	55,865,000
	<hr/>
	63,328,850
	<hr/>
total of.....	\$753,371,850

which are directly or indirectly provided for on the part of specie payments by the Government and the banks.

The present means of meeting these demands are as follows:

to the debt statement of January 1, 1869,	
coin in the Treasury.....	\$98,763,368
not deposited on gold certificates	13,063,092

Amount of coin in the Treasury..... \$85,700,276

Nothing less than twelve per cent. of demand liabilities. Our paper currency, when on the gold standard, is now at a discount of about twenty-five per cent. The deficiency of specie payments means the extent of this margin between specie payments and paper by an appreciation of the paper to a par with gold. How this is to be accomplished is the problem to be solved.

PROPOSED PLANS OF RESUMPTION.

Plans which have been from time to time brought to the attention of Congress for the accomplishment of this object are:

1. Contraction of the currency, to be effected by calling in all the legal-tender notes shall be having the entire circulating medium revert to the national banks.

2. Repeal of the legal-tender acts and an immediate resumption of specie payments by the Government and banks.

3. Providing for the purchase of the United States legal-tender notes by the Secretary of the Treasury at a fixed rate of discount in making the purchase one per cent. each time the purchase is made at par. The notes purchased to be reissued and re-circulation.

4. An enactment by Congress that specie payments shall be resumed by the Government

at some fixed day in the future, to be followed at a later day by a like resumption on the part of the national banks, and by a repeal of the legal-tender act, resumption to be provided for by retaining in the Treasury all the surplus of coin after paying the interest on the public debt, and by compelling the banks to retain the specie received as interest on their bonds, with which to maintain their circulation upon a specie basis.

THE CONTRACTION POLICY.

The plan of resuming specie payments by a contraction of the currency passed from a theory into an experiment with the commencement of the financial administration of the present Secretary of the Treasury, who adopted it as the leading measure of his financial policy, and urged it upon Congress in his first annual report. The objects sought to be accomplished by this policy were twofold:

First. The regulation of the business of the country, the reduction of the price of labor and of merchandise, and the prevention of speculating by the business community by creating a scarcity of currency.

Second. The appreciation of the paper currency by reduction of its volume until it reached par with gold; thus effecting a return to specie payments.

This policy of the Secretary was supported by Congress and the press of the country almost unanimously, only a few feeble dissenting voices being heard in the general chorus of approval. But notwithstanding all the adventitious aids afforded to this policy by laws of Congress, a favorable public sentiment and the support of distinguished financial writers, the laws of trade asserted themselves and refused to yield either to the theories of financiers or congressional legislation.

The effects of its adoption were to disturb business, create distrust, increase fluctuations in gold and merchandise and thereby stimulate speculation, and to depreciate, instead of appreciate, the paper currency. The premium on gold rose from twenty-eight to sixty, and on the repeal of the law authorizing contraction stood at thirty-five per cent. premium. The fact that under the most favorable circumstances for a fair trial this contraction policy proved a complete and disastrous failure ought to be a sufficient answer to any argument urged in favor of its re-adoption. And were it not that the policy is still adhered to and persistently urged upon the attention of Congress, officially, semi-officially, and unofficially, I should not stop here to examine the arguments adduced in its support.

The foundation of the whole argument in its favor is the assumption that we have an excess of currency in circulation over the legitimate demands of the business of the country; which excess is attempted to be established, first, by a comparison of the assumed circulation of

1860 with that of to-day, and second, by assuming that the percentage of premium on gold is the measure of that excess.

A letter favoring a contraction of the currency has recently been addressed by a distinguished financier of Massachusetts, Hon. George Walker, to the Special Commissioner of the Revenue, and appended by him to his official report.

I find in it the following estimate of the amount of currency in circulation in 1860:

Gold and silver in the country.....	\$200,000,000
Less in banks and Treasury.....	91,000,000
Leaving in circulation.....	109,000,000
Bank notes.....	207,000,000

Total.....\$316,000,000

Or a circulation of \$11 09 *per capita*. This is upon a gold basis and upon the lowest estimate of gold in the United States in 1860. Taking the amount of gold at the same date as estimated by Hon. J. S. MORRILL, whose figures in this case I consider much more reliable, as they were not made for the purpose of sustaining a pet theory, and the circulation was in 1860 as follows:

Gold and silver in the United States.....	\$275,000,000
Less in banks and Treasury.....	91,000,000
	184,000,000
Bank notes.....	207,000,000
Total.....	\$391,000,000

A circulation of \$14 48 *per capita*.

The present circulation estimated upon the same basis as that of 1860 by Mr. Walker is as follows:

National bank notes.....	\$200,806,565
United States notes.....	356,021,073
Fractional currency.....	33,875,268
	689,702,906
Less in banks as reserve October 1, 1868.....	\$171,168,197
Currency in Treasury.....	18,253,946
	189,422,143
Total circulation.....	\$500,280,763

If we discount the depreciation of the paper currency to place it on the same basis as the circulation of 1860 we should have the following result:

Present circulation.....	\$500,280,763
Less twenty-five per cent.....	125,070,191
Total circulation on a gold basis.....	\$375,210,572

As our present population is in round numbers about thirty-seven millions this statement gives us a circulation of about \$10 15 *per capita*, being \$1 31 less than the lowest and \$4 33 less than the highest amount according to these two estimates in 1860.

I think it must be apparent from this statement, which leaves entirely out of the account the increased wealth and business of the country as well as the large increase of currency required for the increased receipts and disbursements of the Government, which are about five times what they were in 1860, that we have relatively, if not actually, less currency in circulation now than we had in 1860.

DISTINCTION BETWEEN BANK AND GOVERNMENT CIRCULATION.

In making a comparison of the amount of currency in circulation at the present time with the amount prior to the war we should not lose sight of a very important distinction which exists between the currency introduced by the Government (the legal-tender notes) and bank circulation. The bank circulation represents loans to the business community which the banks hold a corresponding amount of individual and corporate promises to pay. An increase of this circulation, therefore, represents an increase of credits. An inflation of this currency means an inflation of credits when such inflation exists there is danger of financial collapse. The currency introduced by the Government, on the other hand, based upon individual credits, but representing the indebtedness of the Government to the holder, to the community in which such currency circulates. An increase of this currency does not therefore represent an increase of individual and corporate credits, and not necessarily an increase of Government indebtedness as it may be only a change of the form of obligation of indebtedness. A contract for this currency shows no decrease of Government indebtedness in case the currency is retired and funded into bonds. It is only a change of form of that which represents the indebtedness. Keeping in mind this distinction, it readily be seen that the fact that the bank currency in the country prior to the war could only amount to \$207,000,000 in paper currency is no evidence that this amount was all that was needed or could be profitably used in the production and the exchange of production. It is only an evidence that the ability of the country to loan, and of the business community to borrow and pay, was exhausted at this point. The ability of the banks to loan was limited by the amount of loanable capital under their control. The ability of the business community to borrow was limited to the security which they could furnish for payment at maturity of their obligations.

INCREASE OF INDIVIDUAL WEALTH RESULTING FROM AN INCREASE OF CURRENCY.

The disbursements of the Government during the war more than doubled the available capital of the people by drawing upon its definite future resources of the country. These disbursements were distributed through

the country, and were readily absorbed in the development of its resources. The following comparison of bank loans and deposits before and since the war, show the increase of individual wealth and the decrease of individual indebtedness resulting from the increase of national wealth:

<i>Bank Loans.</i>	<i>Deposits.</i>
.....\$525,115,000	\$137,397,000
.....634,183,000	212,706,000
.....684,456,000	230,353,000
.....583,165,000	185,932,000
.....691,945,000	253,802,000
.....485,314,029	544,150,194
.....608,411,901	535,199,994

figures show that previous to the war loans to the general business community were three times the amount which they had from them; while since the war the loans have nearly balanced each other, and notwithstanding the great increase of business and population. During the last ten years the amount of bank loans have decreased by seventy-six million dollars, and the commencement of the war more than three millions. The decrease of individual indebtedness in the transaction of business is doubtless, could it be ascertained, less striking. Add to all this the amount of Government securities held by the people, and we gain some idea of the increase of individual wealth since the commencement of the war.

The value of a sufficient amount of currency in a country like our own, rich in undeveloped resources, is not generally appreciated. The increasing contraction have generally been necessary only in its relations to a fixed capital of business, and drawing analogies from countries where production has reached its maximum, have limited its uses to a range of productions, leaving entirely to account its value as a producing agent. I cannot better express my own ideas of the advantages derived from the currency in the country as one of the results of the war than by quoting the following extract from a letter from the present Secretary of the Treasury, addressed to Thomas Campbell:

TREASURY DEPARTMENT, March 28, 1865.

.....
 "A country can prosper for any considerable time if it commands so high a rate of interest as in California, and nothing would tend to reduce that rate of interest than the issue of a sound paper circulating medium. Money has been found to be a necessity in all rural countries, and especially in the United States, and what is true elsewhere must be true here. With her splendid climate, her fertile soil, and her inexhaustible mines, her wealth and

population ought to have been more rapidly increased than they have been for some years past. With her great advantages, what has prevented her from receiving a constant flow of emigration from the other States? What has prevented her from being a commercial and manufacturing State? What is now repressing the enterprise of her enterprising people, but the fact that money is dear, and credit, to a great extent, ignored?

California needs a well-regulated credit system; she needs a paper circulation to quicken enterprise and give impetus to business; she needs a lower rate of interest; she needs to be cured of the mania for an exclusive metallic currency; in a word, she needs, in addition to the recognition of the United States notes as a currency, a sound banking system—such as is provided for by the national currency act—and she will linger in the career of greatness and prosperity until these needs are supplied.

.....

I am, very truly, yours,

H. McCULLOCH.

RAPID DEVELOPMENT OF NATIONAL RESOURCES.

The wonderful effect produced by the introduction and employment of the paper currency issued by the Government in stimulating production and developing and increasing the national wealth has been seen and felt by all, and has been epitomized by the Special Commissioner of Revenue in his last annual report, as follows:

"Speaking generally, however, in the first instance the Commissioner asserts that all the available data tend to establish the following conclusions, namely, that within the last five years more cotton spindles have been put in operation, more iron furnaces erected, more iron smelted, more bars rolled, more steel made, more coal and copper mined, more lumber sawed and hewn, more houses and shops constructed, more manufactories of different kinds started, and more petroleum collected, refined, and exported, than during any equal period in the history of the country; and that this increase has been greater both as regards quality and quantity, and greater than the legitimate increase to be expected from the normal increase of wealth and population."

The Commissioner goes on to give the annual progress of railroad extensions during and subsequent to the war, as shown by the following table:

	<i>Miles.</i>
1860.....	1846
1861.....	621
1862.....	864
1863.....	1050
1864.....	708
1865.....	1277
1866.....	1882
1867.....	2257
1868, estimated.....	2500

"It will be thus seen that since and including the year 1865, the year of the termination of the war nearly eight thousand miles of railroad have been

constructed in the United States, and that the present ratio of increase is more than double the average railroad history prior to 1880, namely, eleven hundred and fifty-six miles."

After presenting this grand array of facts and figures indicative of national development, the Commissioner, apparently wholly unconscious of the agency by which this development was mainly wrought, goes on to descant upon the "effects of the war in checking national development," as follows:

"What would have been the condition of progress during the decade from 1880 to 1870, had not the war intervened, is a question that cannot be definitely answered; but that many branches of production would have experienced a development limited only by the amount of capital and skilled labor cannot be doubted."

Limited only by the amount of capital, &c.

It has been, as I have endeavored to show, this want of available capital prior to the war that prevented the rapid development of the resources of the country. It has been the supply of that want, as one of the results of the war, that has stimulated production to such a wonderful extent that, notwithstanding all the destruction and waste of an exhausting war, the production of the country has been relatively greater during the past than in any previous decade in our history.

How much the growth and material prosperity of the country has been retarded by the policy of the Secretary of the Treasury in contracting and in degrading and depreciating the currency can scarcely be estimated. Whatever may be said of the fictitious character of this currency, the national wealth which it developed, the iron, the coal, the copper, the mills and the railroads to which the Commissioner has called our attention are real, tangible, substantial.

I think very little reliance can be placed on any calculation as to the actual amount of currency in circulation prior to the war, and much less upon any estimates of the amount required with which to transact the business of the country at any given period. Our growth and progress are so rapid, and our condition and circumstances so changeable as to render all such calculations fallacious.

SUPPLY AND DEMAND FOR MONEY MEASURED BY RATE OF INTEREST.

I know of no better criterion of the relation which the amount of currency bears to the business of a country than the rate of interest paid for its use. There are times in all countries when even with an excess of money for the transaction of legitimate business, the rate of interest is high. But this results from a demand for purposes of speculation, which demand is as real during its existence as if it were for regular and legitimate business.

In England and France the rate of interest is uniformly low, the exceptions being occasioned by a speculative demand. In this country the rate of interest is uniformly high, and fully as high on an average since as before the war. The exceptions are at seasons when a temporary depression of business lessens the demand for money.

The same difference in regard to the supply and demand for money which is observed between Europe and our own country exists between different States of the Union. In the old States where capital has accumulated, the supply is adequate to the business to be transacted, the rate of interest is moderate. In the new States there is a lack, while there is a demand for money to develop the resources of such States, and the rate of interest is consequently high.

Mr. Walker, in the letter to the Commissioner of Revenue to which I have alluded in comparing the people of the United States with the people of France, says:

"The people of this country earn money, and they know how to invest it so as to secure interest: real estate, the public funds, loan certificates, corporate shares, and deposits in banks absorb the savings of the people and prevent them from being locked up in money. They perhaps, reason about it, but they instinctively know that money in the pocket-book is idle capital in a country where all must work for a living, and not encourage idleness even in money."

I submit whether a people that know the value of money and the best means of profitable employment are not capable of determining for themselves the amount of currency for the transaction of their own business without any immediate supervision of the Government? whether it is necessary to fix by law a certain amount as just, and safe for the business of the country, or not the fact that the rate of interest is so uniformly high among a people who know how profitably to employ money is evidence that the amount in circulation is in excess of what they need for the transaction of their business.

That the premium on gold does not indicate an excess of currency in circulation, the needs of business conclusively show. The fact that that premium fell from one hundred and eighty to twenty-six per cent., with a decrease of the currency of nearly three million dollars, and rose from twenty to thirty-five during a period in which the currency was reduced about two hundred million dollars.

Mr. Speaker, I have taken up considerable time in the discussing of the policy of contraction of the currency because I believe that contraction has inflicted incalculable injury on the country, and because I believe the cur-

ation of the readoption of the policy is also judicial to all our material interests. Believing this, I am anxious to see some other policy tried for reaching specie payments. Some policy calculated to inspire that confidence which appreciates instead of creating that distrust which depreciates our currency.

IMMEDIATE RESUMPTION.

The plan of forcing an immediate resumption of specie payments by repealing the legal-tender act and enacting by law that specie payments shall take place immediately, or at some time in the immediate future, say July 4, 1869, for the United States Government, the great honor, to solemnly enact that there shall be an immediate settlement of all demands in specie when its own monthly financial statements show that it cannot pay twelve cents on the dollar of its demand liabilities in the required time. The Government could not comply with the provisions of such a law, and such compliance on its part is a condition-precedent to its enforcement upon the general public. I presume this measure has been introduced for the purpose of evincing the earnest desire of its author for a return to specie payments, rather than with a view to its adoption.

FIXING UP UNITED STATES NOTES AT A DISCOUNT IN GOLD.

The plan for buying in the notes of the Government at a discount might be practicable if a rate at which gold should rule each month could be fixed and determined by law. That inheres the laws of Congress nor the Secretary of the Treasury can fix the price of gold has amply been demonstrated.

It is difficult to see how the monthly purchase of an unlimited amount of United States notes at a fixed rate of discount each month could effect a continued reduction of the premium on gold to the rate fixed by the Government, any more than sales of gold by the Treasury could effect the object. I think it is uncertain that the present amount of gold in the Treasury could be drawn out in a very set time by a combination of speculators. A sum of five million dollars would be sufficient for the purpose. The bill introduced for carrying out this plan proposes a reissue of the notes, but as the currency receipts are now in excess of the currency disbursements, for what would the notes be reissued?

But, admitting the entire practicability of the plan, there are two very serious, and to my mind insuperable objections to its adoption. First, the Government having made its paper money legal tender, that is in law the equivalent of gold and silver; it is now proposed to pass another law to depreciate this money, to strip it of its legal-tender character, and buy it up at a discount with the gold and silver of which it is the legal equivalent. And second,

such a law, providing for buying in United States notes at a discount is on the part of the Government a proclamation of national bankruptcy and a proposition to compound with its creditors.

The Government having promised to pay dollars cannot honorably pay less, because necessity does not compel it to ask for a discount. There is no contract either expressed or implied that the United States notes shall be paid on demand; but there is an express contract for the payment of the full amount promised on the face of each note, and an implied contract that this promise shall be redeemed so soon as the promisor has the ability to do so. There could be no justification for a great solvent nation adopting the pitiful make shift of buying in its own notes at a discount. Having issued paper money and made it legal tender, it should now adopt such measures as will make that money in fact what it has made it in law—the equivalent of coin. The fact that the laws of trade have fixed a value on the money of the United States below the legal standard is no reason why the Government itself should adopt and conform to that value; and to do so would be to make merchandise of its own money.

RESUMPTION BY ARBITRARY LAW.

The fourth plan proposed is a carefully considered and comprehensive measure, providing not only for a resumption by the Government, but reaching forward and embracing in its scope a resumption by the national banks also. This plan has been introduced and advocated by one of the ablest statesmen of the country in a speech which shows a clear comprehension of our present financial condition and of the conditions necessary to be induced before specie payments are practicable. The author of the measure admits the impracticability of resuming specie payments until through some means the premium on gold has been extinguished by a gradual appreciation of the paper currency, and to bring about this result has provided that the surplus gold in the Treasury, after payment of its specie obligations, shall be retained and constitute a fund to meet the demand for redemption of the notes at the date fixed by law; and that after the 1st day of July, 1870, the national banks shall reserve and hold in their vaults all the coin they may receive for interest on the bonds held by the Government for security of their circulation.

It is assumed that the knowledge on the part of the public that the Government will resume on a certain day, and that it is accumulating gold for the purpose of maintaining such resumption, will inspire confidence, appreciate the paper currency, and secure success. This measure, like all others providing for the resumption of specie payments, depends for its

success upon the measure of confidence which its enactment establishes in the public mind in regard to the redemption of the currency on the day fixed for its redemption.

If the public should have full confidence that the promised resumption would take place as provided the immediate effect would be to appreciate the paper currency steadily until it reached par on the day fixed for resumption. Would such be the effect of the passage of this bill? I think not; for the reason that the provision for locking up so large a percentage of the specie of the country for so long a period would tend to increase instead of diminish its premium, and for the additional reason that the simple enactment that specie payments shall take place on any fixed day in the future is only a good resolution made to-day that may be reconsidered and repealed to-morrow. And the public know that any law providing for a resumption of specie payments on any fixed day in the future will be repealed if, as the day approaches, our financial condition is such that the obligations assumed cannot be performed. There is an implied proviso in any such law which would be expressed by the words "if practicable."

As I have already said, the success of any plan for the resumption of specie payments depends entirely on the confidence of our creditors in our ability to pay our obligations in coin at the time promised. As soon as we can show that all reasonable demands upon the Treasury can be met in specie that confidence is secured. The people have never doubted and never will doubt the good faith of the Government, nor its actual and ultimate solvency. And whenever any plan shall be adopted whereby the actual payment in coin of our obligations can be gradually and safely approached, and our promises made not only secure by our plighted faith and confirmed by an exhibition of our resources but also placed beyond the possibility of temporary or permanent repeal or suspension, we shall have taken the only sure step toward the settlement of our financial difficulties.

GRADUAL RESUMPTION BY SUBSTITUTION OF COIN NOTES FOR GREENBACKS.

And this brings me to the bill before the House. Does it possess the necessary elements of success? Let us examine its provisions. They are, *first*, to destroy all United States legal-tender notes received into the Treasury in the course of ordinary transactions, and to issue a like amount of United States notes, redeemable in coin on demand at and after one year from the date of issue. *Second*, to cause all national bank notes received at the Treasury to be redeemed by the bank issuing the same in United States legal-tender notes, which legal-tender notes shall in like manner be de-

stroyed, and coin notes, payable in coin, issued in their stead. In other words, paper currency issued after July 1, 1869, the Treasury of the United States is notes payable in one year from the date in coin. *Third*, to make these notes legal tender for the redemption of national bank notes and for all other purposes for which United States notes are now legal tender.

Further, as a matter of subordination it is provided that the Secretary of the Treasury, on receiving any of said coin notes before maturity, instead of destroying them, issue an equal amount of new notes payable a full year from date; and also the Secretary may at his discretion, after the maturity of the notes first issued, issue the same in exchange for the present United States notes at a less time than one year, but not less time than three months. The Secretary is also authorized, in case it may be necessary in order to maintain the redemption of the notes after maturity, to purchase coin notes amount of \$50,000,000. To state more fully, the bill provides for a gradual resumption of specie payments by the conversion of outstanding United States notes into notes payable in coin in one year from date of the conversion into coin notes being issued; the currency disbursements of the Treasury require.

Under its operation, if it become a United States legal-tender notes received into the Treasury of the United States, in the ordinary course of business, after July 1, 1869, will be destroyed; and all national bank notes so received will be changed with the Treasury of the United States a year from date of issue. The new notes issued payable in coin on demand, in lieu thereof a like amount of United States notes issued payable in coin on demand, the Treasury of the United States a year from date of issue. The new notes legal tender for the redemption by the Treasury of the United States of their circulating notes, and for all other purposes except for the payment of the public debt where such interest is in coin. That is, they are legal tender on demand, but must themselves be paid in maturity by the United States.

Taking the estimated currency demands of the Treasury for the next fiscal year, say about one hundred and eighty million dollars, as a basis of calculation, and conversion from the present irredeemable United States notes into notes redeemable in coin one year from date would be at the rate of about fifteen million dollars per month, or a million dollars per day. That is, during the month of July, 1869, there would be from the United States Treasury \$15,000,000 in notes payable in one year from

demand, in coin, at the Treasury, lowered by a like amount each month of the year; which would make the total thus converted during the fiscal year ending June 30, 1870, \$180,000,000; being one half the amount of United States notes outstanding.

The same amount, providing the currency measures of the Treasury continue the same, converted into coin notes during the next year. That is, one half the present of United States notes would be converted into notes payable in coin in one year date of their issue, during the fiscal year ending June 30, 1870, and the other half thus converted during the fiscal year ending June 30, 1871. This gradual substitution of notes payable on a day certain for paper notes, never actually payable on demand, is the first measure proposed by this bill as the means of preparing for and of effecting a return to specie, and is not only practicable and sure but also easy, the resumption of specie payments. This is to be the first step under which to be taken toward the return to a specie currency.

The next step relates to the payment of paper notes. This process is to commence one year after the date of their first issue, in that day the \$500,000 in coin notes, then in force, will become redeemable, and presented at the Treasury must be paid. Payment can only be demanded at the same rate as the original issue, say \$500,000 daily, in which they can be presented for redemption. This will be extended through the period of two years, from July 1, 1869, to July 1,

notes thus become an intermediate currency between the present irredeemable paper notes and gold, and serve two important purposes, which seem to me to lead to a healthy return to specie payments. First, they postpone the actual day of redemption to the several times when the Government can undoubtedly make and maintain its credit, they give in the mean time the possible assurance that it will be made. Secondly, the declaration of a statute that it is made, but the assurance of a contract is a direct promise to each holder of a note borne on the face of the note itself, which will be so paid.

The bill thus presented the two main features of the plan, namely, first, the issue for two years of notes payable in coin in one year from the date of their issue; and second, provision for the payment in coin one year later, extending through a like period of two years, or prior to the redemption in specie of the outstanding paper notes now outstanding within the period ending July 1, 1872. The bill contains no other provision for the redemption of the national banks of their notes than is

required by the present law; that is, a redemption in legal-tender notes, for the reason that I do not consider it practicable for both the Government and the banks to resume at the same time, and to undertake to provide for both might prevent resumption by either. Appreciate the United States notes to a par with gold, and a way will be opened for the banks to follow and redeem their notes in specie. The measures necessary to secure this result can be adopted after the Government has placed its currency, which underlies the bank currency, upon a specie basis. Once placed the Government currency on this specie basis and establish public confidence in its permanence, and we have practically added so much to the specie of the country, and thus furnished a medium for the redemption of the national bank notes.

With so large an amount of paper in circulation, every dollar of which is profitably employed and none of which can be retired without seriously deranging business, checking production and impairing the revenues of the Government; with this paper at a discount of twenty-five per cent. in specie, it is the part of wisdom to make haste slowly. The main point is to begin to resume, not merely to resolve that we will do so at some future day, but to commence at once, and however slow the progress, each step will not only carry us nearer to the goal, but will impart that strength and inspire that confidence which will enable us to reach it.

Provision is also made for keeping the currency which this bill proposes to create in circulation until further legislation by Congress. There is no contraction of the currency by its operation.

The Secretary of the Treasury is authorized to reissue these coin notes after they have been received into the Treasury before maturity in payment of public dues, or to issue in their stead the same amount of like notes on time. This discretionary power, although not an important feature of the plan, may be found necessary to be used, and no valid objection to its use exists, as notes received in payment of public dues are actually paid or redeemed by the United States. A like discretionary authority to issue notes on a shorter time than one year, but on not less than three months, is to enable the Secretary to hasten the time for resuming, if he finds it practicable to do so, after the maturity of the notes first issued.

Having thus stated the general provisions of the bill, it is proper to consider what will be its general effect:

First, can these coin notes be paid according to their tenor? and second, what will be the effect upon the currency of issuing them?

MEANS FOR MAINTAINING SPECIE PAYMENTS UNDER THIS BILL.

Let us now see what means the Secretary

will have, at the maturity of these notes, with which to redeem them :

The amount of coin in the Treasury January 1, 1889,	
was.....	\$98,763,368
Deduct coin certificates.....	13,063,092
Leaving a net balance of.....	85,700,276
To which add estimated receipts in coin over expenditures to end of the fiscal year ending June 30, 1870.....	59,000,000
Which will give amount in Treasury on maturity of the first coin notes issued....	144,700,276
Allowing the same excess in receipts of coin over expenditures for the year ending June 30, 1871.....	32,000,000
And we have.....	\$176,700,276

with which to redeem the \$180,000,000 falling due during that year, and this without any purchase of coin by the Secretary. There can be no doubt of the ability of the Secretary of the Treasury to maintain redemption after commencing, as he would, without any purchase of coin, have during the first year after specie payments actually commenced nearly one hundred per cent. in specie of the whole amount of coin notes redeemable with which to redeem whatever notes might be presented. And maintaining redemption through the first year would undoubtedly bring the whole volume of the currency to a par with gold. Indeed, I believe the first monthly redemption would have this effect; for a demonstration of the ability of the Government to redeem would so establish public confidence as to settle the whole question.

OBJECTIONS CONSIDERED.

Deeming these resources of the Government amply sufficient to maintain the redemption of these coin notes as they mature and are presented for redemption, I now pass to the second question: What will be the effect of their issue? This is, in substance, to ask whether the community in general will estimate the resources of the Government for the payment of these notes as I have estimated them. Will their issue inspire general confidence in their promise to pay? Upon this point I propose to take, first, the testimony given by an opponent of the bill, the gentleman from Indiana, [Mr. COBURN.] who, in a speech made in this House last week, expressed himself upon it as follows:

"Will the issuing of Treasury notes payable in twelve months in gold, in lieu of the greenbacks and bank notes taken for taxes and dues to the Government, have any tendency toward the resumption of specie payments? This proposition has been made in all seriousness by a decided opponent of contraction, and is put forth as a measure in aid of that view. To my mind it is the strongest measure of contraction yet proposed, amounting to nearly a half million a day—in fact, to the entire amount of the revenue raised in paper; for this paper is at once retired,

and in its stead is issued a currency which calls gold in twelve months, and which at once is worth more than twenty-five per cent. premium; a currency which would be locked up as soon as issued, and on see daylight when put up for sale by bankers or the end of twelve months, when presented at the Treasury.

"Who that holds such a note will give it in exchange for a greenback and throw away his twenty-five per cent.? Who will pay it out? Who so infatuated as to yield up such a golden advantage? In one year \$180,000,000 of our currency would be safely locked up and the whole greenback circulation would be actually retired at the end of two years."

These objections of the gentleman from Indiana—who represents a class of objectors—are full of expressions of the confidence which is to be reposed in the notes which this bill proposes to issue. They are, that these notes will "be locked up as soon as issued"—"safely locked up"—not paid out, but hoarded for the "golden advantage" which they will afford to their possessor, "put up for sale by brokers," "bearing a premium of twenty-five per cent." Whatever may be the actual operation, there is no mistake as to what these objections assume will be the effect upon the public mind of the issue of the proposed gold notes; they assume and object that the notes will be at par or nearly at par, with gold; and I ask the attention of the House to this point. The objection is a most forcible statement of the public confidence which will be reposed in these coin notes, for there would be no undervaluation or appreciation of these notes toward a par with gold unless the public had full confidence that the redemption would take place at the time promised; and the percentage of appreciation would be the exact measure of that confidence.

The gentleman from Indiana, therefore, concedes that the bill would effect the very object for which it is intended, namely: the extinguishment of the premium on gold by an appreciation of the paper currency. Accepting the gentleman's statement of the credit which the notes will win as correct, let us consider the effect of that credit upon the currency. Will it produce that contraction which the gentleman apprehends? I think, if at all, only temporarily. For as all the legal-tender notes are in process of conversion, and all national bank notes are redeemable in legal-tender notes, the one issue cannot be appreciated without drawing up with it the whole paper currency of the country. The confidence which these coin notes would inspire would express itself not so much in the form of a premium on those notes above the value of the present national currency, as in a reduction of the premium on gold. I cannot better express my ideas of the effect which the issuing of the coin notes would have in reducing the premium on gold than by quoting the following extracts

in a speech made by me in introducing the bill, in March last:

With the steady conversion of the greenbacks into notes redeemable in specie at a specified time, with the certainty of the ability of the Government to redeem them as promised, the whole volume of the currency would begin to appreciate. The hoarded specie would come out to realise the premium, which would every day be reduced, and at no distant day be entirely extinguished. The notes, redeemable in specie as they approached maturity, would gradually be temporarily hoarded, but only to liberate the same amount in specie. As fast as they matured and became redeemable in coin they would remain in circulation as specie; being received for payment duties on imports and convertible into coin at the will of the holder, they would be received in payment of interest on the public debt and for all other purposes for which coin is now required. Whenever any amount of these notes was actually redeemed the same amount of coin would be liberated from the treasury, where it now lies dormant, and become useful to the community. Once placed this paper circulation of the Government upon a specie basis, and built up public confidence in its permanence, and have practically added \$350,000,000 of specie to the amount now in circulation, and thus furnished a medium for the redemption of national bank notes."

All arguments which I have seen urged against the bill start from the same point as those of the gentleman from Indiana, namely, that the notes are immediately to appreciate; and some of them include another objection which the gentleman did not name: that this appreciation would create a difference between this issue and other notes in circulation, and more to the advantage of the creditors of the Government. As I have already said, I believe the appreciation would be expressed in the deducting of the premium on gold, rather than by any premium on this particular issue. But admitting the force of the argument which considers the practicability of appreciating the legal-tender notes by making them payable at a day certain, and thus extinguishing the premium on gold, let us see whether these apprehended evils and inconveniences are of so serious a character as to counterbalance the advantages which would result from a resumption of specie payments.

First. Whatever advantages might accrue to the public creditor by receiving payment in the new notes would involve no loss to the Government, as the notes are not to be finally retired at maturity. The Government loses nothing by appreciating its paper: it puts nothing into it except public faith, public confidence, and secures to itself whatever advantages result from the appreciation; not only in the appreciation of its bonds, but in all purchases which it makes. An increased value is thus given to every dollar received into the Treasury as well as to every dollar paid out.

The coin notes paid out of the Treasury would pass directly from the hands of those to whom they are first paid, as they have not the ability to hold them—generally requiring all their receipts to pay their current expenses—and enter directly into circulation at whatever appreciation public confidence might fix upon them; and this appreciation would, of course, effect a corresponding reduction of the premium on gold.

Second. The immediate effect of converting the legal-tender notes might be to retire the new issue from circulation; but this would be done mostly by the banks, into which they would naturally run, and which would substitute them for the legal-tender notes, now held as a reserve. This reserve amounts to about one hundred and seventy-two million dollars, and would nearly absorb the amount issued the first year. This retirement of the converted notes would effect no contraction of the currency, as it would liberate a like amount of legal-tender notes now held as a reserve, and send them into circulation to supply the place of the coin notes withdrawn. To a large extent those hoarded in private hands would take the place of specie, which would come out and reduce the premium on gold. The contraction if any, which would take place would be temporary and voluntary on the part of the business community in whose hands the notes would be held; and such temporary contraction of the currency is one of the conditions necessary to be brought about during the transition from an irredeemable to a redeemable currency. The advantage of this mode of contraction is, that it is voluntary, self-imposed, and self-adjusting, and controlled by the natural laws of trade; and that the amount retired is at all times within the reach of business, and can be called forth whenever its exigencies demand it.

In this regard the coin notes would not be unlike the compound interest notes, which were held to a considerable extent by the banks as a part of their reserve, and which went, as these coin notes would go, to make up that part of the currency which is laid by in small sums by all classes, and which in the aggregate constitutes no inconsiderable percentage of the circulation. Individuals as well as banks keep a reserve, but keep it to be used when required. The last dollar paid out would undoubtedly be the one which in the estimation of the holder was the most valuable, but that last dollar would come out, and be made available as currency either at par with other paper or at an intermediate premium between that paper and gold, whenever the demands of business required it.

Third. An intermediate currency between the present paper currency and gold would, at most, be but a temporary inconvenience to which business would soon adjust itself. A large part of it would, as I have shown, take the place of other paper now out of active circulation; and





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A CATALOGUE

OF THE

New Jersey Bills of Credit,

COMPRISING THEIR

AMOUNTS, DENOMINATIONS,

AND THE

NAMES OF THE PERSONS APPOINTED TO SIGN THEM,

FROM 1723 TO 1786.

BY

HENRY PHILLIPS, JR.

AUTHOR OF THE PENNSYLVANIA PAPER MONEY.

PHILADELPHIA:

A. C. KLINE, 824 WALNUT STREET.

1863.

198 G W



PREFACE.

This work is not *entirely* correct, but inability to spare the time for a journey to Trenton, where alone are to be found the records, has caused the errors, if any exist.

No notice has been taken of the "*Canada Expedition Money*," as the regular issue did not begin until 1723; nor of the notes which exist, for which no law can be found.

H. P., JR.

Philadelphia, March 17, 1863.

CATALOGUE.

1723.

November 30, (dated March 25, 1724,) £40,000.

4,000,	each of	£3.
8,000,	do	30s., 15s., 12s., 6s., 3s.
12,000,	do	1s. and 6d.
14,000,	do	1s.

To be signed by John Parker, Robert Lettis Hooper, Peter Bard and James Trent. (Jacob Doughty and Enoch Vreeland, substitutes.)

1727—8.

February 10, (date March 25, 1728,) £24,760.

1,000,	each of	£6, £3.
4,000,	do	30s., 15s.
5,000,	do	12s., 6s.
7,000,	do	3s.
8,000,	do	1s. and 6d.
12,200,	do	1s.

To be signed by John Stevens and Isaac Decow.

1780.

July 8, £25,000.

625	notes, each of	£6.
1,250	do	8.
2,500	do	30s.
5,000	do	15s.
7,500	do	12s., 6s.
10,000	do	3s.
12,500	do	1s. and 6d.
16,250	do	1s.

To be signed by any three of Richard Smith, Caleb Raper, Andrew Johnston, and Michael Kearney, (Samuel Bickley, John Stevens, alternates.)

1788.

August 18, (date, March 25, 178—,) £40,000.

1,000	notes, each of	£8.
2,000	do	£3.
4,000	do	30s.
8,000	do	15s.
12,000	do	12s., 6s.
16,000	do	8s.
20,000	do	1s. and 6d.
26,000	do	1s.

Also, £10,000 additional.

250	notes of	£8.
500	do	£3.
1,000	do	30s.
2,000	do	15s.
3,000	do	12s.
3,000	do	6s.
4,000	do	3s.
5,000	do	1s. and 6d.
6,500	do	1s.

To be signed by any three of John Stevens, Robert Hude, John Allen, and Isaac Decow, (William Cox, Robert Smith, alternates.)

1746.

June 28, (date July 2,) £10,000.

250	notes, each of	£8.
500	do	£3.
1,000	do	30s.
2,000	do	15s.
3,000	do	12s.
3,000	do	6s.
4,000	do	3s.
5,000	do	1s. and 6d.
6,500	do	1s.

To be signed by Samuel Nevill, Isaac Decow, (William Burnett, and Stephen Williams, alternates.)

Also, £6,000 additional in the same proportions, &c., &c.

1755.

April 22, (date, May,) £15,000.

875 notes, each of £8.

750	do	£3.
1,500	do	30s.
3,000	do	15s.
4,500	do	12s., 6s.
6,000	do	8s.
7,500	do	1s., and 6d.
9,700	do	1s.

To be signed by Thomas Bartow, and Daniel Smith, Jr., (John Smyth, and Abraham Hewlings, alternates.)

August 20, (date, November 1,) £15,000.

Same denominations and amounts, to be signed by Samuel Nevill, and Henry Paxson, (Jacob Dehart and Joseph Hollinshead, alternates.)

December 24, (date, January 1, 1756,) £10,000.

250 notes of £8.

500	do	£3.
1,000	do	30s.
2,000	do	15s.
3,000	do	12s., 6s.
4,000	do	8s.
5,000	do	1s. and 6d.
6,500	do	1s.

To be signed by Samuel Nevill and Joseph Yard, (John Smith, Joseph Hollinshead, alternates.)

1756.

June 2, (date June 22,) £21,000

625 notes of £8.

1,250	do	£3.
2,000	do	30s.
5,000	do	15s., 6s.
5,500	do	12s.
6,000	do	8s.
7,500	do	1s. and 6d.
9,750	do	1s.

To be signed by John Smyth and Hugh Hartshorne, (William Burnett and Joseph Hollinshead, alternates.)

1757.

March 21, (date, April 12,) £10,000.

500	notes of	£6.
1,000	do	£3.
2,000	do	30s.
1,334	do	15s.

To be signed by Samuel Nevill, Hugh Hartshorne, (John Smyth and Joseph Hollinshead, alternates.)

1757.

October 22, (date, November —,) £30,000.

1,100	notes of	£6.
3,500	do	£3.
6,000	do	30s.
4,000	do	15s.
6,000	do	6s.

To be signed by same persons as former issue.

1758.

April 4, (date, May 1,) £50,000.

1,834	notes of	£6.
5,700	do	£3.
10,000	do	30s.
7,000	do	15s.
5,487	do	6s.

To be signed by the same persons.

August 12, (date, October 20,) £10,000.

250	notes of	£6.
500	do	£3.
1,000	do	30s.
2,000	do	15s.
3,000	do	12s., 6s.,
4,000	do	8s.
5,000	do	1s. and 6d.
6,500	do	1s.

To be signed by James Hude and Joseph Yard, (same alternates.)

1759.

March 17, (date April 10,) £50,000.

Same amounts and proportions as April 4, 1758.

To be signed by Samuel Nevill and Daniel Smith, Jr., (same alternates.)



60.

March 25, (date April 12,) £45,000.

1,875 notes, each of £8.

2,759 do £3.

4,883 do 30s.

9,000 do 15s.

13,500 do 12s.

4,500 do 6s.

6,000 do 3s.

7,500 do 1s. and 6d.

9,720 do 1s.

to be signed by Samuel Nevill and Hugh Hartshorn, (John Hartshorn and Daniel Smith, Jr., alternates.)

61.

April 17, (date of note, April 23,) £25,000.

917 notes of £8.

2,850 do £3.

5,000 do 30s.

3,500 do 15s.

1,372 do 12s.

to be signed by Samuel Nevill and Thomas Rodman, (alternates, John Smyth and Joseph Hollinshead.)

762.

March 10, (date, April 8,) £30,000.

15s., 30s., £3., £6, known to be in existence; signer's names not found, nor *particulars* of the Act.

763.

January 7, (date, 31,) £20,000.

250 notes of £8.

500 do £3.

1,000 do 30s.

2,000 do 15s.

3,000 do 12s., 6s.

4,000 do 8s.

5,000 do 1s. and 6d.

6,500 do 1s.

Signers unknown; no *particulars* found in the Act.

764.

January 23, (date, April 16,) £25,000.

From 1s. to £6.

Signers unknown; no *particulars* found in the Act.



1776.

February 20, *Resolution of the Provincial Convention of New Jersey*, £50,000.

9,500	notes of £3.
10,000	do 30s.
6,667	do 15s.
5,000	do 6s.

To be signed by Hendrick Fisher, Azariah Dunham, John Hax Samuel Howe, Wm. Tucker, Ab'm. Hunt, Jos. Ellis, Alex. Chambers, Ab'm. Clark, Caleb Camp.

1776.

March 25, (date of *Act*, March 11, 1774,) £125,000.

3,125	notes of £6.
6,250	do £3.
12,500	do 30s.
25,000	do 15s.
37,500	do 12s., 6s.
50,000	do 3s.
62,500	do 1s. and 6d.
81,250	do 1s.

To be signed by John Johnston, Rob't Smith, (alternates, Jonathan Deare, Richard Smith.)

1780.

June 9, (*Resolution of Congress*, March 18,) £225,000.

In bills of \$1, 2, 3, 4, 5, 7, 8, 20.

Signers for the United States, Joseph Borden or Joseph Kibbide. Signers for New Jersey, Philemon Dickinson and John Inlay, (Moore Furman and David Brearly, alternates.)

1781.

January 9, £300,000.

20,000 notes, each of 6d., 9d., 1s., 1s. and 6d., 2s. and 6d., 3s. and 6d., 4s., 5s., 7s. and 6d.

To be signed by David Brearly and Philemon Dickinson, (Robt Niel and Ben. Smith, alternates.)

1783.

December, £31,259.5s.

1,200	notes, each of £6.
3,000	do £3.
3,977	do 30s.
3,975	do 15s.
3,976	do 12s.

7s. and 6d., 5s., 3s. and 9d., 2s. and 6d.

To be signed by the Treasurer and Auditor of the State, for the time being.

1786.

May 17, £100,000.

1s. to £6.

Names of signers not found in the laws as printed.

FINIS.

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The National Currency,

APRIL 6, 1864.

New York:
SANFORD, HARBOUN & CO., PRINTERS, 64 BROADWAY.
1864.

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NEW YORK, *March* 28, 1864.

The Editors of the *Evening Post* having declined to insert in their columns the underneath article, on account of its length, it is now presented to the public in a pamphlet form.

THE NATIONAL CURRENCY.

To the Editors of the Evening Post:

It has been stated in an article headed "Gold Speculators," which appeared in the *Evening Post* of the 3d instant, that the great expectations which had been entertained concerning the beneficial results of the National Currency, enacted by Congress, in February, 1863, had not been realized. It becomes, therefore, proper to inquire into the causes which have led to the failure of public anticipations. A careful investigation seems to show, that this failure is due to the facts, that the National Currency has been based on too great an amount of United States stocks, and that these United States stocks, considering the increasing magnitude of the public debt, and the inadequacy of the national revenue, tax bill included, do not offer to the bill-holders the security they have a right to expect, when a raging civil war requires such an immense expenditure of public money. Under such circumstances, the people at large, who pay the taxes that make up the *national revenue*, have a right to demand that the National Currency should be so devised, as to represent, intrinsically, as nearly as it can be effected, the very fractional parts of said National Revenue.

On the other hand, capitalists have been obviously reluctant to invest their capital under the Act. What proves it to evi-

dence is, that one year after its enactment, only two millions of dollars of National Currency were, it has been stated lately, in actual circulation; other features of the enactment have contributed to make it unpopular—one of them will be pointed out—the title of the enactment is as follows:

“An Act to provide a National Currency, secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof.”

Now, this title is partly a misnomer, inasmuch as the sixty-five cumbrous sections of the Act, are almost all taken up with the details of an elaborate organization of Banking associations, etc., regulating their capitals, their loans, discounts, etc. It would have been more appropriate, therefore, in order that the heading of the act should properly represent its contents, that the title of said act should have been:

• “An Act to ORGANIZE NATIONAL BANKS, and to provide them with circulating notes secured by the pledge of United States stocks.”

The organization of National Banks, by act of Congress, was altogether injudicious.” Congress has the sovereign right to provide a National Currency, to control and regulate its issue, and provide for its due redemption. It has likewise the constitutional right to prevent State banks from issuing notes, *to pass as money*, by virtue of State authority which cannot grant to corporations, the power which is prohibited to them by the Constitution. This sovereign right to provide a National Currency, to regulate commerce among the several States, and provide for the general welfare of the United States, can be exercised and effected by means of a few, simple, clear, precise, rigid, effective provisions, that cannot be evaded. But there was no necessity whatever, in Congress undertaking to regulate the banking operations either of new banks or of the old State banks. This improper interference has been one of the causes that have prevented capitalists, generally, from investing their capital in the National Currency.

The National Currency act having been elaborated by the Committee of Ways and Means in consequence of the sugges-

tions of the Secretary of the Treasury, it follows therefrom that the principal aim of that act, viz., that of organizing National Banks, has been devised with his approbation. Mr. Chase, on that point, did not show his previous financial sagacity; he thought, no doubt, that a mere genuine Currency Bill would meet with great opposition from State banks generally, and from many State legislatures, and he adopted the plan of organizing National Banks, thinking that he could thereby control the situation, and establish promptly and without difficulty a National Currency. Time has shown that he was mistaken; his National Banks drag considerably; the circulation of their bills, although small, is attended with misgivings; they are not received by the community with the popular favor that bid welcome to the issue of legal tender notes. Said legal tender notes had no need whatever of National Banks to facilitate their circulation, nor would such an expedient have been necessary to facilitate that of a sound National Currency. The legal tender note issue was welcomed by the people, because it was intuitively felt to be absolutely necessary that the national government should control the circulating medium of the Union at that critical time, when the discordant State banks throughout the country had agreed upon the only point they will ever agree upon, viz., that of closing their vaults against the lawful and legitimate demands of the holders of their "promises to pay" for the specie contained therein, if not exceeding the amount of their issues. The immediate consequence of the general failure of the State banks was, that the Circulating Medium of the Union consisted only in the depreciated paper of irresponsible and defaulting Institutions. It is, at this peculiar juncture, when mistrust and want of confidence would, no doubt, have degenerated into a panic that would have thrown financial affairs into inextricable disorder and confusion, that the Secretary of the Treasury deserves the greatest credit by urging, earnestly, the passage of an adequate tax bill, and the issue, at once, of Legal-Tender Notes; but it was understood that these notes were to be issued to a limited amount only, preparatory to devise a proper plan to provide a sound National Currency.

Had the Secretary of the Treasury succeeded to establish a National Currency based on the *peculiar principle* that was required by the magnitude of the public debt and of public expenditures, capitalists would have readily and promptly contended to invest their capital under its provisions. This "peculiar principle" was explained, commented upon, and its application was laid down with precision, in a pamphlet of thirty-four pages, published in New York, on the 12th of October, 1861, under the title of "THE CONSTITUTION IN CONNECTION WITH A SOUND NATIONAL CURRENCY." The contents of said pamphlet were reproduced in the *Bankers' Magazine* for December, 1861, pp. 417-450, and further illustrated by a draft of the enactment necessary to carry the views of the writer thereof into execution, which was published, also, in the *Bankers' Magazine* for the month of February, 1862. Had Mr. Chase recommended to Congress the drawing up of such an enactment, a sound National Currency could have been started promptly—full of life, vigor and elasticity—that would have rendered nugatory and unavailing any opposition thereto of State bank managers and State legislatures, inasmuch as capitalists, generally, and large State banks stockholders would have found it *their interest* to adopt *what they could not prevent*. A National Currency, devised according to the unerring principle which ought to regulate the formation of its basis, would have been properly appreciated by the people at large, and proven to be a self-acting machinery, requiring no further legislation than the one that set it in motion.

Mr. Chase has, no doubt, perceived that his scheme for organizing National Banks does not work according to his anticipations, and yet he has not proposed any effectual means for the action of Congress to remedy a state of things that is every day becoming more alarming, although it is his duty, as the responsible Fiscal officer of the National Government, to do so. It is hard to conjecture what can be the motives of his injurious inertness, considering that he has shown, on the subject of the issue of legal tender notes, that he can act with commendable promptness and decision when he feels so disposed.

The Secretary of the Treasury must be told plainly, by his friends, that his reputation and the welfare of the country are alike at stake; that, whatever flatterers around him may say or write, his popularity as a sagacious financier, lately so high, is waning fast; that the belief gains ground, that the increasing disastrous expansion of the circulating medium is attributable to his not having properly used the means within his power to prevent it. These remarks are made with regret and great reluctance; the writer thereof has hesitated a considerable time to give them publicity, hoping that Mr. Chase might, meanwhile, devise some means to retrieve his character from the above imputation; but, as events progress without any action from him to stop the tide of expansion, this hope has become very faint. There appears to be no explanation whatever of his supineness, except that he has deluded himself into *false issues* by the popular welcome attending, at first, his issue of legal tender notes. Their issue was highly creditable to Mr. Chase's sagacity in that particular instance, as the immediate effect of that measure was to restore public confidence. So long as the issue of legal tender notes was made within proper bounds, it enabled him to control the circulating medium and to obtain loans from the people on reasonable terms; the moment, however, that the resource of borrowing the immense floating capital existing in the country was well established, he ought to have stopped issuing legal tender notes any more, and devised a National Currency of that character that would have made it the interest of the leading State banks to invest their capitals therein, so that said National Currency might have been, within a reasonable time, substituted for the legal tender notes. These important matters seem to have been overlooked by Mr. Chase, hence expansion, exorbitant prices for the necessities of life, and speculations of all kinds, have ensued. The Secretary of the Treasury seems to be bewildered by a state of things he did not anticipate, and, in consequence, has no clear perception of the proper means to extricate himself from the false issues he has involved himself in.

Every intelligent person who is cool and somewhat discern-



ing, sees and feels that something effectual ought to, and might be done to check speculations in gold, and yet no efficient action whatever has taken place; the only move that has been attempted is one in the wrong direction. It seems that the Secretary, screening himself behind the Committee of Ways and Means, wishes to be invested with discretionary power to sell the surplus gold in the treasury. The manœuvres that have taken place in Congress, for the last six weeks, in order to obtain that power for him, are discreditable to the Committee of Ways and Means; but the worst feature of the struggle is, the obstinate persistence of the Secretary on the subject, showing, on the one hand, that he does not feel conscious of the manifest impropriety of the Fiscal officer of the United States purchasing its own evidence of debt, at a discount of fifty to sixty and seventy per cent.; and on the other hand, that Mr. Chase does not choose to perceive that there are constitutional means, more effectual than his discretionary power, that might have been used to check gold speculators. While the struggle is going on, gold continues to rise; speculation is rife; and, ultimately, if the Secretary obtains the power he is coveting, it will be found that the fall on the price of gold, which may ensue in consequence, will be temporary, unless the National Government asserts its constitutional right—to regulate the value of gold-money—by taxing gold so as to bear particularly on the monopolizers thereof, and on those speculators who operate for its rise in value.

One of the great evils of the stand-still financial difficulty—now existing in consequence of the inertness of Congress, is—that it encourages the State banks to increase the issues of their “promises to pay,” so as to hamper the circulation of the National Banks. This expansion is highly detrimental to the public interests. The antagonism of the State banks may yet be easily put down by constitutional legislation; but supineness, in a contention of that description, is very dangerous, as said State banks, in order to increase the difficulty, might continue to expand their issues to any extent. A State bank President, Mr. James Gallatin, in a communication lately

addressed to the editors of the *Evening Post*, under the head of "The Currency Question," states that the return of the circulation of six banks at or near Pittsburg, Penn., had, since the suspension, increased in the proportion of one to three, so that if all the banks of the United States were to increase in the same proportion, "their circulation—which was one hundred and fifty millions in the loyal States before the rebellion—would now be nearly five hundred millions." A concerted action of the State banks, to produce a general expansion of their issues, might, it is true, be effectually checked by Congress, but delay in doing it is dangerous; it is much easier to prevent such an expansion than it is to stop it when it is in the full tide of its progress. It is, therefore, urgent that Congress should protect the National Currency by preventing the State-banks issues to increase the redundancy of the Circulating Medium. This can be done by Congress exercising, as a preliminary step, a constitutional pressure, the nature whereof should be, first, to tax heavily the bills they issue as money under State charters; second, to tax the gold they keep and monopolize unlawfully in their vaults to the detriment of public interest, and in direct violation of their promises to pay. If these two measures were not sufficient to restrict materially their issue, an act should be passed by Congress prohibiting, under penalty of seizure wherever found, all such issues in circulation, as being unlawful. The States are prohibited by the Constitution to issue paper money: notwithstanding this prohibition, they have granted charters to corporations to pass paper as money. So long as the National Government did not interfere to claim its constitutional right to regulate money, this assumption of power by the States might be permitted, because a paper circulating medium was obviously necessary in a great commercial community like the United States, particularly in these ~~modern~~ times, when monetary paper rules the world, and has ~~virtually~~ become the money of civilization; but the moment that the National Government claims its constitutional right to ~~regulate~~ money and to control the Circulating Medium of ~~currency~~, the State



laws, authorizing the issue of paper as money, become, of course and of necessity, null and void, exactly, as would the States' Bankrupt Laws become null and void, the moment that Congress may choose to enact a general bankrupt law for the whole Union.

The above views and remarks have not been prompted by any hostile feeling against State banks; the writer of this article appreciates fully the public benefits resulting from the judicious management, on the whole, of those of the State of New York since the year 1842, when the State Stock Security System was effectually established by an amendment of three lines to the then existing Free Banking Law, which short amendment* saved the system of free banking from complete failure; this is an evidence that the system of requiring banks to pledge State stocks for the full amount of the circulating notes delivered to them, *is the great arcanum of sound banking*. No legislative restrictions, whatever, on State banks that are allowed by State authority to manufacture or engrave their own "promises to pay," can effect what is effectually accomplished by the simple provision that the State is to provide the banks with a circulating medium under the control of the Fiscal officer of said State. All State banks ought to be prohibited from issuing paper engraved under their own directions, to *pass as money*; and now that Congress has provided a National Currency for all the States of the Union, the total prohibition of State bank issues becomes a matter of absolute necessity. The circulating medium of the Union must, of neces-

* That amendment was, in substance, that, the stocks of the State of New York *only*, would henceforth be received in pledge for the delivery of Circulating Notes. The Free Banking Law, enacted in 1838, allowed the pledging of State Stocks, upon the *soundness* whereof the State of New York had no control. When, in 1841, half a dozen States repudiated the payment of their debts, the Free Banking Law System would have broken down, had it not been timely saved by the above stated Amendment, embodying, virtually, the principle advocated by the writer of this article, viz: that the State Stock required as a pledge, &c., &c., should be *amply* secured by *State Revenue and Taxation*.

sity, be altogether under control of the National authority, in order that its volume may be, by degrees, reduced to the proper compass. Those are not friends of the State banking interest who counsel the State legislatures to nullify the law, after the fashion of South Carolina, in 1832, and who instigate the State banks' managers to throw difficulties in the establishment of a National Currency. Many newspapers advocate resistance to the act enacted for that purpose. The *Journal of Commerce*, which is prominent on that point, had, lately, an article taunting the State banks to action by such language as the following: "They" (the State banks) "have not *the courage to resist*, nor have they the good grace to submit." This provocation *to resist*, seems to allude to the means of resistance the banks might use by flooding the United States with their "promises to pay" to the extent of 500 millions of dollars, as pointed at by Mr. Gallatin, in the extract above given of his late letter in the *Evening Post*. This attempt to obtain the repeal of the act "To provide a National Currency," would succeed no better than the notorious like attempt of Nicholas Biddle, in 1834, to obtain a re-charter of the Bank of the United States, by a sudden expansion of sixty millions of dollars. But the State banks are not under the control of one man; their interests are conflicting; they cannot act harmoniously either for good or for evil; this has been shown by the attempt, in 1861, to organize—a confederacy of banks—as styled by one of its would-be leaders—which attempt terminated by their accumulating all the gold they could get and suspending specie payments. Banking corporations, it has been stated correctly, have no souls; forbearance and patriotism are not to be expected from them, whatever certain bank presidents may say; but, on the other hand, resentment, and a concerted action and resistance need not be apprehended from them; they are merely influenced by what they conceive to be the *interests of their stockholders*. The designing men who *twit* the bank managers for their want of concerted action, *must* be blinded by party spirit not to perceive that it cannot be done to the requisite extent; but so long as State banks

are not properly restrained, a great portion of them in many States will increase their paper issues. They are encouraged to do so by the late financial measures of the Secretary of the Treasury, which have a direct tendency to expand the circulating medium.

Mr. Chase, being the Fiscal officer of the United States at a time when circumstances require that Congress should invest him with all the powers which he may think proper to demand, public opinion will hold him responsible for the existing financial embroglio, and he will be deemed recreant to his duty if he tampers much longer with the expansion of the circulating medium; with the operations of gold speculators; and with the State banks, by allowing them to issue unlawful money. He must be reminded that, in proportion as he gains favor with speculators and with the class of men whose interests are forwarded by an inflated circulating medium, he loses estimation with cool and reflecting minds and the great majority of the public at large. His reputation as a patriotic financier should induce him to retrace some of his steps before it is too late, and, by all means, let him at once demand of Congress repressive measures on the subject. These measures are so urgent that they will be promptly enacted, and the actual antagonism of the State banks will vanish like a morning's mist, if, at the same time, means are taken to make it *the interest of capitalists* and State banks' stockholders to invest their capital in the purchase of United States Stocks. This can be effected by proper amendments to the National Currency Act. These amendments ought to be drafted with a view of strengthening its basis, perfecting, thereby, the soundness of the circulating medium; and, also, of facilitating State banks to issue the National Currency without changing their names, and without the regulation of their capital being interfered with, except that portion thereof which is to be deposited with the Comptroller; said portion, of course, is to be subjected to the rules laid down in the National Currency Act; except, also, that these State banks shall be prohibited from issuing notes *passing as money under State authority*.

An explanation of the precise object in view, intended to be obtained by each of the underneath amendments, and its peculiar fitness to effect it, will follow their exposition.

First Amendment.—Should provide, that the total amount of the United States stocks issued, and allowed to be pledged, as basis for the National Currency, shall be limited and restricted to two hundred millions of dollars.

Second Amendment—Should provide, that bids to the amount of two hundred millions of United States stocks would be received from the people at large, under the underneath rules and conditions:

1st. The certificates of the stock issued shall specify that they are part of a loan for two hundred millions of dollars, to be designated therein as **THE NATIONAL CURRENCY LOAN**. The rate of interest shall be six per cent. per annum, payable semi-annually.

2d. Bids will be received at par and will be allowed as low as fifty dollars; the bids for fifty dollars shall be paid cash, at the time of subscribing; these bids will be allowed in full by the issue of certificates of stock for fifty dollars each, whenever the script delivered against payment shall be called in.

3d. All other bids shall be not less than one thousand dollars; ten per cent. to be paid at the time of subscribing. All bids of one thousand dollars and over shall be liable to be cut down rateably, so that, on the whole, the *National Currency Loan* shall not exceed two hundred millions of dollars.

4th. A branch of the revenue, amounting to twenty millions of dollars, shall be specially reserved by law, as a special fund to pay the interest on the *National Currency Loan* and establish a sinking fund to pay off the capital within twenty-five years, viz.: twelve millions to pay the yearly interest, and eight millions annually towards the sinking fund.

5th. The National banks, already in operation, will be allowed to subscribe for the full amount of the United States stocks they have deposited in the hands of the Comptroller of the Currency to the date of the call for the National Currency Loan; but the demand must be made before the books for sub-

scription are open, and the Comptroller shall, in his official report relative to the subscriptions for the *National Currency Loan*, state the precise amount of each application, and designate the bank that has made it.

6th. Books of subscription shall be open five days at all the Assistant Treasurers, Receivers of Public Monies, and such National banks and bankers as shall be duly appointed by the Comptroller of the Currency, to whom the results of the subscription will be forwarded; and it will be his duty to publish, officially, a summary of the returns, stating the total amount of the subscription, the total of the \$50 bids, as well as that of the National banks, both of which are to be allowed in full, and the rate per cent. allowed on the bids for \$1,000 and over, so that the total of the certificates of stock to be delivered shall not, aggregately, exceed two hundred millions of dollars.

Third Amendment—Should provide that all State banks that will pledge in the hands of the Comptroller not less than fifty thousand dollars of the National Currency Loan, shall be entitled to receive circulating notes of the National Currency according to the rules and prescriptions provided for in the National Currency Act; said circulating notes to be of the same similitude as those issued to the National banks, except that each State bank receiving the National Currency shall be allowed to preserve its name as a State bank. This can be effected by removing from the steel plate, the die upon which "National Bank," &c., is engraved, and inserting instead another die, with the name of the State bank engraved upon it; the additional expense for effecting the insertion to be charged against the bank making the application therefor. The first bank making such application shall have "No. 1" inserted within a vignette, in a conspicuous place; all other State banks shall have numerals inserted, rising from No. 2 upwards, according to the date of their application; and they shall all be registered at the Treasury Department according to their respective number.

Fourth Amendment—Should provide that the Comptroller of the Currency shall appoint one National Bank in each of

the principal cities of the United States to redeem, at par, the circulating notes of all the National Banks of the Union, whatever may be their distance from the redeeming Banks, and to forward them for repayment to the Banks whence originally issued, charging the issuing Banks, for performing that service, a commission that will vary according to the distance, which commission shall be determined by the Comptroller.

This last amendment will secure to all the National Banks the greatest possible circulation, inasmuch as the *responsibility* assumed and exercised by the United States Treasury Department of paying in full to the bill-holder all the bills of any defaulting National Bank, is tantamount to the recognition of the *principle*, that these bills are virtually *fractional parts of the Public Debt*, specially guaranteed, *to be paid on demand*; this *Fourth Amendment*, by carrying out practically said "principle," provides, virtually, that the National Currency will be taken at par all over the Union, and that the United States Treasury is responsible therefor; this fact will command such implicit public confidence in the National Currency that few persons will think of demanding the redemption of its bills; not only the public, but, generally, the National Banks themselves, will be benefitted by this amendment; it will interfere only with such Banks as may attempt to force their circulation to stay out, by forwarding their bills, in packages, at a great distance from their locality. The public is not benefitted by such forced circulation, and if some Banks are, it is but right they should pay a commission therefor.

The *peculiar fitness* of the *Fourth Amendment* to perfect the soundness and availability of the Circulating Medium has been made obvious from the above exposition, but this "peculiar fitness" will appear still more manifest by the adoption of the three preceding Amendments. The First Amendment is intended to provide that the basis of the National Currency is to be limited to 200 millions of dollars, instead of 300 millions, vaguely indicated in the National Currency Act of February, 1862. Under that Act, hardly *ten millions of circulating*

notes have been delivered in the space of one year; now, according to the process recommended in the *First* and *Second Amendments*, it is expected that the whole 200 millions of the *National Currency Loan* will be subscribed for in *five days*, and that 180 millions of National Currency, constituting a *sound* circulating medium, representing, virtually, fractional parts of the *National Revenue*, would, in a few months, enable the Secretary of the Treasury to withdraw from circulation the same amount of Legal Tender Notes.

The mode of effecting the National Currency Loan—set forth in the *Second Amendment*—is not a new idea: it was devised in 1848 by the writer of this article; the *Draft* thereof was published in New York on the 7th of November of that year, in the *Courrier des Etats-Unis*. It was addressed to the French National Assembly, at the time of the Republic, but was not, then, acted upon; in 1853, however, Napoleon finding that the *Associated* Parisian bankers were slow and exacting (acting somewhat similarly as the Associated Banks of the three cities did in 1861, in regard to the Loans demanded by Mr. Chase) in taking up a Loan of five hundred millions of francs to provide for the expenditures of the war against Russia, made a call for a *National Loan*, according to the mode laid down in the “Draft” published in the *Courrier des Etats-Unis* in 1848. This Loan was, to the surprise of the public in general, particularly of the Bankers, eminently successful—the subscription amounting to over three times the amount of the Loan. Other loans have since been effected, according to the same process, with still more success; the last one being for only three hundred millions of francs, the bids amounted to over ten times the amount of the Loan. This last result indicates plainly the direct cause of the success of these loans; it does not proceed on account of the object of the loan being popular—this certainly was not the case with that Loan, as it was intended to cover the expenditures of the war against Mexico, as it is notorious that said war is unpopular in France—it proceeds from the fact that an aggregate floating capital to an immense amount, is constantly accumulating in France,

in the hands of individuals of small means. Bids as low as one hundred francs being allowed in the National Loans in France, hundreds of thousands of these individuals flock to invest their spare means in national stock; individuals of larger means, and capitalists generally, becoming aware of this fact, as well as of the certainty that the stock bid for will sell at a premium, compete with each other, and, in the expectation of their bids being cut down, bid, of course, for more than they want. These facts produce, *naturally*, the result which, at first, surprised almost everybody. What has taken place in France, in consequence of bids being accepted as low as one hundred francs, would take place in the United States by allowing bids as low as fifty dollars. The *contrast* as to what took place relatively to the investments in the five hundred millions loan, on the one hand, and the National Bank scheme on the other hand, shows that the people at large dispose, readily in the aggregate, of more floating capital than Bankers, who associate for a particular purpose. In the former investment, the whole of the five hundred millions were taken up in a much shorter space of time than it took the Bankers to subscribe about thirty millions of capital, only partly paid up, in the space of a whole year; and within that time, short of ten millions of dollars in stocks of the United States were invested in the National Currency.

The above "contrast" shows clearly, that in this country, as well as in France, the government will get a loan taken up quicker by calling on the people at large, and on men of small means, than by applying to Bankers or to Associated Banks. Should the *Second Amendment*, in the form it is set forth above, be adopted by Congress, the total amount of the *National Currency Loan* for two hundred millions of dollars would be taken up in five days. The rush of the fifty dollars bidders would stimulate Bankers and capitalists generally; they would be further stimulated by the competition of thousands of speculators, who would largely subscribe in view of the rise that would surely take place in the privileged stock of the *National Currency Loan*; it would be paid for as fast as the certificates of the stock could be delivered to the bidders.

It might be, within a few weeks, converted into a National Currency, *based*, as nearly as legislation can effect it, on the NATIONAL REVENUE, so that the bills of said currency could, virtually, be considered as *fractional parts of said Revenue, payable on demand*; this fact would be established by the combination of the *Four Amendments* above set forth, if they were adopted by Congress.

The above Amendments would have the same good effect on the National Currency Act, as was effected in 1842 on the Free Banking Law, by the amendment that, New York State Stocks *only* would, henceforth, be received as pledge, &c., for the delivery of Circulating Notes, &c. Mr. Solomon Townsend, of this city, then Chairman of the Committee on Banks and Insurance Companies, who offered, and obtained the passage of, said amendment, deserved well the thanks of the community; the principle upon which said amendment is based, being properly carried out, becomes the unerring REGULATOR of a paper Circulating Medium; this "principle" requires that the payment of interest and capital of the stocks constituting the basis of said Circulating Medium, should be *amply* secured by State Revenue and Taxation. Its powerful effect as a *Bank Regulator* was soon felt in the State of New York, although it was strongly opposed by the Safety Fund Banks of said State; if the above defined "principle" was adopted as the *Regulator* of the *National Currency*, its effect, of course, would be much more extensively felt than it was as Regulator of State Currency.

All the evils resulting from State Corporate Banking have been caused by their being authorized to manufacture their "promises to pay" to pass as money. The temptation to abuse that power is so great, that all the restrictions which may be devised by legislation are of no avail. Let this power be taken from them, on the one hand, and, on the other hand, allow them to issue the National Currency without subjecting them to regulations and restrictions which are of no public advantage whatever, and they will become the best customers of the National Currency, if perfected according to the *Four Amendments* herein set forth.

The State Banks would become as effectually controlled as National Banks, by their common REGULATOR, viz: a *sound National Currency*, the moment that such Banks were prohibited from issuing their "promises to pay" as money, as they would then become amenable to the control of the "Common Regulator;" for they cannot get the Circulating Medium without pledging an amount of United States Stock larger by ten per cent. than the circulating notes they receive. This simple requirement will be found to be completely effective to secure the good management of the State Banks.

State Banks that have the privilege under State authority to manufacture their own "promises to pay," may be tempted to encourage expansion and overtrading; but Banks under the control of the National Currency will be held from such temptation by the apprehension of the forfeiture of a great portion of their capital. Had the Banks of the City of New York, in 1857, been strictly under the control of the New York State Stock Security System, there would not have been a suspension of specie payments; but many Banks of large capital were yet under the Safety Fund system, and many others were only partly secured by N. Y. State Stocks. One Bank, wholly secured by N. Y. State Stocks, continued to redeem its currency in specie. This course was severely censured by the Bank officers of the old school as being contrary to precedent.

L. B.

NEW YORK, *March* 16, 1864.

NEW YORK, *April* 6, 1864.

The *Evening Post* having declined, on account of its length, to publish the article on the National Currency which had been intended for its columns, it was decided, after a few days hesitation, to have it published in a Pamphlet form. Now that the task has been accomplished, a few general remarks on the subject therein treated may be appropriate, considering





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or

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THE FINANCIAL CONDITION.



SPEECH

OF

WILLIAM SPRAGUE,

IN THE

SENATE OF THE UNITED STATES,

MARCH 15, 1869.



—

secret of that success lies in the turn of one roll where the cotton is delivered on the spindle; it turning one hundred and fifteen turns to the minute, while others in New-England, and even by the side of it, turn ninety or one hundred.

Columbus, after he had discovered America, was asked at a festive board how, among all the people of his time, he should have discovered the New World. He asked them to stand an egg upon its end. They made every effort to accomplish the purpose, and, failing, looked to him. Cracking the egg on the end, it stood. It was sufficient; they understood him. Now, I send to the chair my proposition of finance, and ask that it be read. I do not offer it as an amendment, but simply as a paper on which, and on which alone, in my opinion, the financial problem can be solved.

The VICE-PRESIDENT. The Secretary will read the paper.

The Chief Clerk read as follows:

That the President nominate, and by and with the advice and consent of the Senate appoint, a commissioner, a deputy commissioner, and twenty-four judges of finance, to be selected from among men of wide experience and marked skill in business, exclusive of those engaged in banking, to examine into the English system of finance, touching the reception and disbursement of the national income, and to report at the next session of Congress a plan for the reception of the national revenues into the Treasury and the disbursement thereof, and to disconnect from the Treasury its jurisdiction over national banks. This power vested in said commissioners shall be so directed as to obviate the scarcity of money and high rates of interest, caused by the withdrawal of Treasury revenues from the market, by keeping daily in the market the same sum as is received into the Treasury, and to place the same on the market at such points as will check the increasing rates of interest, and increase capital while decreasing the cost thereof.

MR. SPRAGUE. It will be seen by that paper that my opinion is not favorable to an increased issue of legal tenders or of national bank currency. It will also be seen that I am not in favor of a repudiation of the national debt. But, sir, I do not sympathize with that class of men who are holding up to the gaze of the people of the United States the sacredness of that debt. I was opposed in your caucus, Mr. President, to an amendment of the Constitution giving undue protection to that debt, and I am also now opposed to any reiterated protection by the law contemplated by the bill before the Senate. I do not think that there is much sacredness in the issue of bonds for the Pacific Railroad, which has become a part of your national debt; and I see nothing sacred in the thousand and one unnecessary appropriations constantly made at each session of Congress.

The great bulk of the debt of the nation has been created in pursuance of a necessary and important object, that of main-

taining the territorial integrity of the United States. In Great Britain to-day, the profits on almost any one of her great industries—her commerce, her manufactures of iron, or of coal, or of cotton, or of wool—are sufficient to pay the interest on her national debt. But is it the part of a people to drift into the condition of Mexican society, where the national debt is an oppressive burden to the community? If those whose business it is to make light the public burdens neglect, either from ignorance or from any other cause, to pursue a policy that will relieve instead of a policy that will destroy, if the people of this country are to-day, in consequence of the public debt bearing heavily upon them, drifting, as I verily believe, into the condition of Spanish and Mexican society, would any one demand that state of slavery rather than a cancelation of the debt?

Sir, you have provided for wholesale repudiation of private debts by your enactments at recent sessions of Congress. You can cancel debts between individuals, between the citizens of the country; but you look with holy horror upon a suggestion that if you pursue a policy of destruction this incubus will be sloughed off.

The Senate must know facts connected with the industries of this country. I told you, two years ago, that you had lost, or would lose if you were not exceedingly careful in reference to your future legislation, your monopoly of cotton, and nobody believed it; nobody will believe it now; but let me tell you that you have lost forever your sea-island cotton. Go to the South and make inquiries there. It is a thing that was, and the whole South is to-day trying to find a substitute in the rami or China grass, that will grow more prolifically, whereby they can replace that which has been lost. I tell you, sir, that in five years under the system of finance pursued by the projectors of this bill, that which of itself was a monopoly and has now ceased to be a monopoly, will cease to be a profitable business to those who are engaged in it. It may be that some of my friends from the South are watching the encroachments made upon that interest in Egypt, in India, and in Brazil.

The last statement from England of the receipts of that fibre shows a marvelous increase; one half of the cotton used by Great Britain is to-day received from Egypt, India, and Brazil; and the cotton produced by India, by Egypt, and by Brazil, is equal for all necessary purposes to that produced in this country.

But I have another point to urge upon the Western men of this Senate; it is that the boasted strength and prosperity of that country is but a shadow; and I point to the reports of the pro-





the evil is in your financial management. It is just there and nowhere else. Great Britain's system of railroads, based upon her low interest and abundant capital, will carry a ton of coal one hundred miles for what it costs me in this country to carry a ton of coal three miles. I pay for carrying a ton three miles as much as the manufacturer in Great Britain pays for transporting it one hundred miles.

All these things are true; there is no mistake in one of them; and there is no necessity whatever to surmise or to speculate as to what is the cause of the present disturbance in business. Go ask any distributor of goods in New-York or Boston what is the condition of their accounts for the past three years touching the payments of the debts made by the West, and there is not one of them who can show that he could pay his interest and his rents. There is not one of them who, if he tells you the truth, will not say that he is in debt; the poor debts that have been made, the failures that have occurred, have been greater than all the profits made from business; and they will tell you again, that the securities otherwise in their possession are weakened twenty per cent.

How long, I ask, can a country pursue that sort of business and be assured at all that it can maintain any value for its public debt? Some people — and there are such here in the Senate, perhaps—will say that the recent advance of your bonds in Europe was caused by the proposition now before the body. There are some people who will believe even that that is the fact. Well, sir, if it is any satisfaction for them to know it, I can state that at the same time, and from the same cause, the Government bonds of Turkey assumed a similar relation as to price; they advanced about six or seven per cent. The cause of it was simply that the English capitalists had taken two or three per cent long enough, and they were willing to take greater risks and obtain securities that would pay a higher rate of interest.

Some people, too, will say that the rise in the value of your currency was occasioned by some remark that has been made by somebody, or some resolution before the bar of this Senate, or otherwise; that that was the cause of an increased value to your paper. What was the cause? This rise in the value of your securities drove them to Europe, and drove to Europe the capital on which your business was done, and exchange has been drawn against them coming in competition with gold, and the result was inevitable. Sir, that was the cause, and no other. The idea of resolutions like this before the Senate or anywhere else, or articles in newspapers, or speeches made by any body, having an effect upon the price of gold or the value of your

bonds, is the most complete absurdity that ever afflicted the brains of sensible men.

Congress and the Supreme Court seem to be acting in accord on this subject. My friend from Indiana [MR. MORTON] in his remarks the other day, told the Senate that the second section of the bill was in qualification of the dangerous influences connected with the recent decision of the Supreme Court. As my mind is not taken up with any of the ameliorating projects, or any of the medicines that are used to cure this disease, I had not paid any attention whatever to the merits of that section in detail; but it was the business of somebody to take some notice of it, and my friend from Indiana was correct in the judgment he gave, and the Senate, led by outside influences, by men who have given this question no study whatever, were wrong, and I will show you how. I read from the *Bankers' Gazette* of Friday, March 5th, 1869; bankers tell the truth sometimes:

"Since the late legal tender decision of the Supreme Court authorizing contracts to pay coin, lenders feel more at liberty to demand coin interest, and the banks and conservative private bankers who heretofore have declined to accept more than seven per cent in currency, now feel less hesitation about asking gold rates when the condition of the market enables them to do so."

In the interest of high cost of interest, in the interest of protection to capital, the capital now absorbing all the best interests of this country, to destroy them. If I should say to any body that it is my deliberate judgment that this Government has failed in the object that it was intended by its projectors to secure, I suppose I should be scouted at. But, sir, when I compare the situation of this country to-day with the situation of that country from whence we sprung, I find that not only in capital, but in general intelligence, in education, in liberty among the people, they far exceed the privileges and the power of the people of this country. They are increasing in a ratio most astounding in education and in the refinements of life, as the statistics show. After the convulsions which racked this continent, and considering the intimate relations that subsist between this country and Great Britain, what was the effect of our war upon that nation? A simple Fenian commotion; and that was all. Look at her commanding one fifth of the territory and one fourth of the population of the globe; her commerce occupying prosperously and profitably every sea; her industry permeating and being introduced into every market in the world, standing strong, able, and powerful everywhere. And where are we? All we have to help ourselves in the world is our cotton, which we are about to lose, and our tobacco, which we shall lose.



nation under heaven can stand that draught upon it, can stand the scarcity produced by that result. And yet people wonder why we are so affected by the rise and fall of gold; and we say it is owing to the fact that we are not paying specie. Sir, if you forced yourself into a condition of the payment of specie to-morrow, you would not have benefited your position one iota. The same scarcity of capital, the same high rates of interest, would exist then as exist now; and that condition of things being so, you could not raise wheat in the West, we could not manufacture in the East, and we should have nothing to do to employ our commerce, nothing whatever to give to our flag on the sea.

It is said that the tariff is the cause of these high prices. I deny it. If you will give to me a system in your Treasury that will let the money out of it at a given rate as fast as it is received, I, for one, will pledge myself to advocate the repeal of all your tariff laws in five years. We ask for nothing in this country, in my judgment, but the reception of the revenues upon the market to control capital in the interest of abundance and a lower rate of interest. Give me that, and I will be your strongest advocate for a repeal of all your tariff acts.

We condemn speculators, and gold gamblers, and stock-jobbers. I have been led into that error myself. But, sir, those gentlemen but occupy the position that they have been taught to occupy, and they avail themselves of a perfectly legitimate trade and business. The fault is, that the Congress of the United States, under bad advisers, leave open the opportunities for money-making in that department, inducing the people of the whole country who have capital to employ their means in those operations, withdrawing them from the business interests of the country. Sir, you set the example of speculation when you, in order to create a better value for your legal tenders, make them scarce. What more have Drew, and Fisk, and Gould done?—and yet you condemn them. What more did Vanderbilt do, when he convulsed the market in his efforts to place Harlem where he did? You do the same thing exactly, under the sacred sanction of law and in behalf of a great people. You are a stock-jobber and a gold gambler, as much as any one of them.

If the country is prosperous, why is it that you are convulsed with failures and bankruptcies? Why are your newspapers and your courts filled day by day in every village, in every town, and in every city of this country with accounts of bankruptcies? There were twenty-six hundred failures in 1867, twenty-six hundred failures in 1868, and God only knows what will be the extent of them for 1869.

It is said that the Parliament of Charles II. was more suc-

My friend from California (Mr. [redacted]) the production of gold. Sir, that [redacted] consequence of and wheat, and every thing else. You [redacted] centuries own State that the high price of capital [redacted] its example. so by your acts, have driven men from [redacted] the acts which into farming and wool raising. The [redacted] it beyond the shows and criticises the immense [redacted]

What, I ask, are you to rely upon [redacted] use to my feet this your public debt, when there is [redacted] so long; and I beg your people? Will this bullying [redacted] has worn upon me, for the past three years have any [redacted] this country is cer- position of curtailing the currency [redacted] around me would not value, effect? Nothing but the [redacted] true condition of the perity, want of employment, and [redacted] to impression can be edness like that of Mexico. [redacted] sick at heart and al- restore prosperity to all the [redacted] occupied the attention to have floated your debt [redacted] of things did not than, by constitutional amendment [redacted] if there was any advan- stantly making an effort to [redacted] by me in the beginning securities, driving what little [redacted] amounted to any thing, vestment, and depriving [redacted] the course of my life of ad- to carry it on? [redacted] the exact condition in

I do not sympathize [redacted] is them all. ing the five-twenties in [redacted] where about the middle that will be depriving [redacted] as you are jealous of our they gave, and it will [redacted] to be mistress of the seas; tion of an additional [redacted] taring and the weaving for settled, not heretofore [redacted] Then the Dutchman succeeded ness and trade, will. [redacted] the revolution of 1688, England all, and that capital [redacted] a power less than Holland they would be robbed [redacted] as great as that of Holland, whose business it [redacted] in thirty years she triumphed the policy pursued [redacted] and William of Orange and Wil- the Confederation [redacted] liberty to his country in his contest constructing the [redacted] giving liberty, civilization, power, or by Dallas [redacted] to that of any nation, ancient or of 1814, and [redacted] tice established [redacted] or three little things to show that it better.

The coun- [redacted] advantage almost to your Treasury that very dust [redacted] things; and if I can call the attention currency by [redacted] which occupies their minds, they will and yet [redacted] position equal to that now held by Eng- 000 more [redacted] advantage beyond that of any people in ger even [redacted] the financial system fully established, the in development in every direction will be [redacted] of this period.

Sir, I do not expect to influence the passage of this measure. I tell the Senate that every word that I have said as to either what is or what it is to be, may be relied upon. There can be no mistake in the things that I have given, because they have been found established on facts, upon the exact situation in which things are. I could give the record for them all, but I forbear; I know they will not be read. If, therefore, I have drawn attention in a different direction from what has been heretofore given to the Senate, it is because I have studied this subject in the direction through which Great Britain has obtained her successes, and by which we can obtain similar successes. I know of no other way to understand a question; than to compare the condition of things in a country embarrassed, with the condition of things in a country that is prosperous. I ask attentive consideration of the suggestions I have made, not expecting to embarrass particularly the passage of this measure, but still being opposed to it as being similar in its character and tendencies to the whole financial system which has embarrassed the country for the past three years.



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(35)

THE NATIONAL CURRENCY.



SPEECH

OF

WILLIAM SPRAGUE,

IN THE

SENATE OF THE UNITED STATES,


MARCH 30, 1869.



THE NATIONAL CURRENCY.

Is it the habit of men constituted like this assemblage and the other House to bow in obedience to, and believe the suggestions made by, wealthy capitalists? The same influence is operating on every public officer in the land, and if he be not more than human, as I have heretofore said, he will surrender to the temptations placed before him. Here, under my own observation, was an offer to a \$3000 clerk to report upon a certain matter in a certain way; and \$100,000 worth of temptation was placed before him. Here, also, in my belief, was the cause of a provision agreed to by both Houses of Congress, being left off an appropriation bill involving a saving to this Government of \$2,000,000. These are two instances out of thousands.

The people are led to believe that the distillers of whisky are the real offenders in corrupting public officers. This is not so. The laws of Congress are of such a character that the distiller can barely survive after he has paid the levies put upon him by Government officials, acting as the tools of the power I have indicated, which stands behind and shares in the theft and extortion. The forced levies of arbitrary power, in the most corrupt days of the Roman empire never much exceeded those I have indicated. In their operations stand charged some names that are high in the estimation of the people of the Republic. As this power is unseen and subtle, it is much more dangerous and vicious. It shields itself, if attacked, behind its victim or tool. Hence the capitalist will as readily abandon parties, politicians, legislatures, banks, etc., as he has used them, whenever they fall into disfavor with the people, whenever the people are tempted to strike against this tool or victim to obtain redress—and each time missing the real cause of their misery—the actual culprits escape. You can never put your hands on them bodily, for their number is added to or taken from as speculations or operations succeed or fail. The people may strike down the tool or victim, as they did in the case of Jeffreys, but they will never reach the seat of their troubles until they have driven the



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any public or private in-
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that speedily, or your
to it for themselves; and
without it, they will
enact. This statement
andid and thoughtful, and
what I now say to show the

since as to the disparity of
Great Britain. I have ob-
which I send to the desk

DEPARTMENT OF AGRICULTURE,
WASHINGTON, March 12, 1869.

request for a statement showing the
per acre in Great Britain, and giv-
a production per acre in this country,
occupancy of lands in wheat, and the
which will in turn be abandoned
appreciation of the alarming decrease in
in localities in which wheat-growing

is the rule, to which the only ex-
scientific farmers in all States in which the
for a series of years. For instance, in
in 1854, the average yield was thir-
or succeeding period of five years, eleven
years, ending in 1867, ten and five
the period ending in 1854 with the last five
is shown, nine and three tenths bushels
of four bushels, or thirty per cent decrease
winter-killing, the average was ruinously
being but four and five tenths bushels in Ohio,
and six and five tenths in Kentucky. The
that year did not exceed ten and five tenths

a production is reported in the Genesee Valley,
a famous a few years since. The New-York
bushels as the average for the crop of 1864
average for a few years past has not exceeded

twelve bushels per acre, notwithstanding the larger yields of California, and occasionally some of newly-settled western and north-western States.

Turning to England, an increase in production can be shown amounting in one hundred years to five bushels per acre. In 1770, according to Arthur Young, the yield was twenty-three bushels; in 1850, by the estimates of Caird, twenty-six and a half bushels; at the present time twenty-eight bushels is considered the real average, though the crop of last year exceeded it. The average in Ireland for twenty years past is placed at twenty-four bushels; for Great Britain—England, Scotland, and Ireland—twenty-seven bushels.

Very respectfully,

HORACE CAPRON, *Commissioner*.

Hon. WILLIAM SPRAGUE, *United States Senate*.

Mr. SPRAGUE. Mr. President, prior to 1861 the farming as well as the manufacturing interest of this whole country was in a state of general bankruptcy. There is not a member here from the West who can gainsay the position I assume. There is not a man in New-England that can disprove my proposition.

Mr. WILSON. What is the proposition?

Mr. SPRAGUE. The proposition is, that if the manufacturing interest of New-England had been sold prior to this war, it would not have paid the debts of those engaged in it. If legislators of the past can find satisfaction in the hand they have had in shaping the destinies of this country, I must confess they are satisfied with very small results. Why should we be behind the nations of Europe? Why should we be behind Great Britain, with a territory not greater than the State of New-York, and with a climate not favorable to the development of the industries in which she is engaged, while this country has every variety of climate, a virgin soil, and every thing that the hand of man desires? We are considered in the estimation of the world as destructives and disorganizers. That is the estimate put upon the people of this country when they go abroad, or whenever legislation is directed toward the relations that exist between this and other countries. Is that a picture to rejoice the heart of an American citizen?

Mr. President, I have no other object than to convince you of the disastrous condition of our situation, and to point out the remedy. I tell the Senator from Massachusetts that the condition of the industries of his State and of New-England may be compared to a row of bricks; when one goes, your fabric is gone. If, sirs, you are not standing on a volcano, I am no judge of the condition of things; and it is all in consequence of the mighty money power waged against the industries of the country and the masses of the people.

Here come to me letters from the South: "Extricate us from the terrible extortions made upon us by the moneyed men;

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our business, and it is in my remembrance that the rate was detested when he lived, but to the industry and property of this country as the household. I have seen this tenfold it deeply, night and comprehend the situation. I understand the forces to create a business and that business is in danger. I suggest measures that will be taken, in the issue of more elsewhere, for that in substance he presents to this world by those around him. The country is peaceful and receives is from men who are of great influence. The statements he makes that his informants know certainly they give him? Certainly society? How much of it with those that he comprehends give a comprehensive view that shall stand here, either from any other cause, and that their material interests is getting rich. He may inquire will ask him if he intends to not white, but that it is black. I am at one that made the statement masses of the people of this made by the Senator from

the creation of parties, and
No man is more funi-
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outside of the cities suffer, and *the people* in the cities suffer too. Not three weeks ago, information came to me of a gentleman advertising for labor to go to the South, and the first day he had three hundred applicants, and the next three thousand. Does that indicate a state of industrious contentment among the people in the rich city of New-York? The manufacturers of New-England, induced by my example, are manufacturing to-day at a loss, and accumulating stocks, and they have made no money for the past two or three years. Money is made by manufacturers only by the application of the power I have indicated, which crushes out those who are engaged in the same business with itself.

The tendency of this collection of capital in few hands, as I have repeated time and time again, is to crush out all small industries and to build up mammoth ones, and they are being built up on the poverty of the people of the United States, and to the sacrifice of their property, unchecked. They are running riot over this land. Why, sir, in the exercise of this power a man connected with the Erie Railroad who, two years ago, was without a dollar in his pocket, exercises five hundred times more control now over the business and social affairs of this country than Rothschild with his \$400,000,000 can exercise in the affairs of Great Britain. Rothschild to-day, exercising all the power of his \$400,000,000, can not change the value of consols one eighth of one per cent. Rothschild's capital is a part of the great working capital of the country, and he can not avail himself of it. Fisk, with the hoarded capital of banks, bankers, and others, which is at his command, is able any day to launch it upon any property or condition of the market favoring his designs.

I have spoken of society in this country. The Senator from Massachusetts has told us that the moral condition of the people of this country may be imitated with profit. My comparison of the people of our own country with people abroad has been criticised by anonymous letters, the writers of which say to me, "You must be familiar with the disturbing element in and among American society." Certainly, if I was not familiar with American society, I should not have hazarded the statement I made. I make no statement in this Senate or elsewhere that I can not substantiate by the clearest proof and the best evidence. Anonymous writers criticise the comparison. The corruptions, the dregs of society abroad, appear at places growing out of the purifying of the stream of general society, and Americans who travel abroad mix and mingle in that filth, and come home here to inoculate the immoralities they have seen into their own society. The comparison can not, in any

form or in any manner, cease to be exactly as I have indicated it. I might point to the condition of things, and the reeking corruptions attending the collection of your internal revenue. It is clear to any man with half an eye that the statement I made is true, and it is responded to perhaps more than any remark I have made since it was my duty to take my stand upon this floor.

The great power that I have referred to, corrupt and vicious, now controlling the affairs of this country, the people can never touch except by the application of a power of a like character, and equal to it. In a monarchical government it is resisted and subdued, as Charles I. subdued it, when he stole the deposits of the goldsmiths and put them in the tower, and then took them from the tower for his own use. We have no such controlling influence over this most despotic, this most tyrannical power upon our whole society.

Mr. President, I said on a former occasion, touching the ability of this body to originate wise legislation, that, owing to the pressure from without, it was impossible for its members to give time and close attention to the consideration of important public matters. I pointed to the President and to the various heads of Departments, the objective points of the office-seekers from every section of the country, and I told you that no man or set of men could stand before the pressure thus exercised upon them. The people of the country may as well understand that the men engaged in legislation, and in performing the executive functions pertaining to the administration of the Government, are muzzled, and the Government itself is breaking down under the force of the weight thus placed upon it.

It is said that the people of a republic will receive unwholesome truths carelessly, and that they will derive no advantage from such truths when placed before them; that they will not act upon them; that it is only under monarchical institutions that virtue can prevail. This statement comes from men who are familiar with both, and have watched both for years. I deny the assertion. If the people of a republic can be made to comprehend the principle on which monarchs give prosperity to their people, and apply it to their own institutions, why will they not succeed as well? A monarch, having his throne to sustain, is more watchful and guarded than any irresponsible representative body is likely to be. Hence he applies the principle and the means that will best promote his security. This people need never intrust superior control in any man's hands, as they have in the remedy I have proposed a sure one, more faithful, more honest, more reliable than any man can possibly be. The people of the United States have been pointed



to this man and to that man on whom they were to rely. The moment they made the application, commenced the temptation by which that favorite hoped to arrive at superior power over them. The people of this country should repudiate every man who is not competent to take care of the situation and give good and wholesome advice, no matter what may have been his previous history or his previous services. If any man foists himself upon the people of this country because of past services, unless he is successful in continuing those services in the interest of the people, he is a worthless instrument, and should be abandoned at once.

Sir, the Senate controls to-day the executive, the legislative, and the material interests of this country. The Senate of the United States is responsible for the present condition of the political, social, and material affairs of the people, and it is because I believe that responsibility rests here that I have taken the time of the Senate as I have, to give to them the benefit of my experience and my research. I shall close now with a hasty consideration of the idea—which has blinded this body, the people, and the executive department—that our present disturbed condition is in consequence of the non-payment of specie. We are told that specie payments will effect a cure for our financial difficulties. The aim, then, is to force such a condition. It is not to come as a natural consequence of the increase of the industries of the people, but it must be forced through by legislative enactment. Your commerce is destroyed; your manufacturing interests jeopardized; your agriculture paying no profit; trade stagnant and dull, and without profit; and yet specie payments are to be forced upon the people, and every time the screw is turned labor ceases to be employed, and the people are more anxious as to their living for the future. When specie payments are thus forced, the holders of national bank currency will apply for redemption. Let them do it, and see where they will come out. The bonds of the banks will be forced on the market. My friends will say, let them be forced.

The banks of New-England, under my own observation, were unable, prior to the war, to keep out more than ten per cent of their circulation, and the time that that circulation was kept out would not average more than fifteen days, and it would then be rediscounted. What value is there in a circulation when it must be constantly distributed in that way? Is it a capital on which business can be done, and is it that upon which you can rely, my friends from the South, to do your planting and farming and general business? Our bills were held at as high a credit as the national currency is now, or ever will be. Let the bills be redeemed before the sale of the bonds,

and the securities that were received when the currency was discounted must be sold. Then, what are the customers to do who have their obligations to meet, and who must pay the wages to those they employ? There will come on the market \$350,000,000 of your currency to be paid for by the capital of the banks, and your business will cease to be carried on. Besides, about the same time your market is to receive an additional amount of \$400,000,000 of your bonds. That, it must be easily observed, depreciates the value of both the bonds and the securities; but it does not lessen the indebtedness of the banks. You can never, so long as each of you live, arrive at a condition of specie payments on the road you have commenced and followed, with such terrific disasters to the interests of the people.

This measure is in the interest of speculators. My friends from the South will get no possible advantage from this act. They think they will. I vote against it because it adds to the power centralized in New-York, which holds despotic sway from the centre to the circumference of the country. If it were to rest in the hands of those engaged in the productive interests of the South, it might be confined to those interests; but I have never yet seen men engaged in any business, who would not apply their means where they would obtain the highest profit. Those who have money to loan will be exceedingly cautious how they invest this year to be paid in the next, dependent upon the price of the products of the farmer. The men who obtain this currency by depositing the bonds of the United States in the Treasury, will take it from the South and use it in the lotteries going on in every city of the United States. If its tendency was in any other direction, why is there not a flow of the \$700,000,000 of currency that now exists to the Southern States, where money commands twenty-five per cent? It will go to New-York. Our currency from Rhode Island goes to New-York; and when it is required to pay our people, we buy it. We send to New-York for it. It does not come to us.

But, sir, I do not oppose this proposition on that ground. This change is one of the most dangerous experiments that has ever been suggested by the Finance Committee and advocated by the Senate. I told you the other day that it would disturb the relations of sixty or ninety million dollars, if the proposition of the Senator from Indiana prevails. What will be the result of taking from the money-market, even for three or four days, any portion of this \$20,000,000? It will all be taken with great rapidity; for the sharks, who now observe with keen eye all opportunities to absorb lands, or money, or securities, will



(32)

THE NATIONAL CURRENCY.



SPEECH

OF

WILLIAM SPRAGUE,

IN THE

SENATE OF THE UNITED STATES,

MARCH 30, 1869.



condition of things will exist; that instead of building your railroads and losing them at the same time, on the capital advanced to you from London, you will have the capital at your door thanking you for using it. Speaking of the Bank of England, the writer says:

"No. 3 is perhaps the most important of all, as it comprises all the accounts kept on behalf of Government, for whom the bank receives every shilling of the income of the nation, as well as the accounts of a large number of public and private mercantile and other establishments; and here it is that the economy of banking can be most fully appreciated. The whole revenue of the Government arising from its daily receipts of customs, excise, post-office, taxes, stamps, etc., no matter whether received in London, Cornwall, the Hebrides or Galway, finds its way almost immediately into the Bank of England, and is thereby rendered instantly available for the daily demands on the State. In all these transmissions scarcely a sovereign is used; the whole is effected by purely banking arrangements. The collector of Government may require to transmit £50,000 from Liverpool to London, but some private individual on the same day wants to remit £50,000 from London to Liverpool through the Bank of England, or through some other bank; both transactions are carried out by the mere entry in books and the advice or instructions sent by the post. The revenue is paid into the Bank of England at the rate of about one million pounds a week; that is, in ordinary times. A considerable portion of this is allowed to accumulate to provide means on each quarter-day for the payment of the dividends on the Government debt. Suddenly on those days, five or six millions sterling are paid away by the bank to the public; but the difference as to the abundance or scarcity of money, just before or just after the payment of this large sum, is scarcely appreciable."

There go into our Sub-Treasury, from day to day and from week to week, large amounts of taxes, and they are kept there, while the money in the market is bare and scarce, and is operated upon to make it still scarcer by the speculators with knowledge of the circumstance, to create for themselves increased value on the capital they employ.

I thank the Senate for their attention.



NATIONAL CURRENCY.

HARVARD COLLEGE LIBRARY

FROM

THE REQUEST OF
EVERT JANSEN WENDELL

1918

SPEECH

OF

HON. JOHN B. STEELE,
OF NEW YORK.

DELIVERED IN THE HOUSE OF REPRESENTATIVES, APRIL 5, 1864.

The House having under consideration the bill to provide a National Currency, secured by a pledge of United States Stocks, and to provide for the circulation and redemption thereof, Mr. STEELE said:

MR. SPEAKER: It has been with great reluctance that I have at any time asked the attention of the American Congress to any remarks of mine. And at no time have I attempted to address the House when that feeling was stronger than now. Having no claims to superior knowledge in finance, either from education or experience, it has seemed little less than presumption in me to attempt to speak on this subject to men many of whom have given years to the study of this intricate, vexed, and even yet uncertain subject, added to many years of experience in such pursuits as have afforded them facilities for subjecting their investigations to the test of practical observation; and I doubt if I should have so far overcome my scruples as to make this effort were it not that I have received such communications from my constituents as seem almost to make it obligatory upon me. The great kindness uniformly extended to me by my associates here makes me believe that my imperfect suggestions will be received with many degrees of allowance, and given, at least, all the consideration they deserve.

My objections, sir, to this bill are mainly to the system it attempts to perfect and perpetuate, rather than to matters of detail, and therefore I preferred to reserve my remarks until such time as it should be presented to the House for final action. And even now it is not possible to determine what precise form it will assume, as some of the amendments proposed by the Committee of the Whole are yet to be decided upon by the House. Yet I think it may be now safely assumed that most of the important provisions of the bill are settled as they will be submitted for the final action of the House.

It having been my lot to enter first upon my congressional duties after a most infamous attempt had been made by a formidable armed rebellion to break up and destroy the Union and to overthrow the best Government of the earth, it has been my constant desire from the beginning to give earnest and hearty support to every measure necessary or important to sustain the Government in these fearful times. And I will not concede that any

COLLEGE
LIBRARY

one, even my distinguished colleague, who in his great speech on the gold bill made such an earnest, effective, and patriotic appeal to the Congress and the country, is influenced by a more anxious desire to do and to suffer everything needful for the success of our cause and the salvation of our country.

It is suggested that this is no new measure, but one already decided and entered upon, and considered necessary by that Department of the Government having charge of the finances, and therefore it is unpatriotic to oppose it or point out its imperfections, if it has any. Sir, it is not only the privilege but the duty of every Representative carefully to examine and consider every important measure proposed for action here, whether original or amendatory, and if he believes it inconsistent with the genius of our institutions and subversive of the rights of the States or the people, then to oppose its passage with all the power he can command. And I cannot understand how the fact that it is understood to be determined upon by the dominant party can relieve one from such responsibility.

At the time the bill for which this is sought to be substituted was presented for the consideration of the Thirty-Seventh Congress, it was urged as an imminent necessity; and realizing as we all did then, and do now, the importance to our national existence of the financial question, it is not improbable that the fear of doing a substantial injury to the country by its rejection did more to secure its passage than any deliberate conviction that in itself it was either wise or meritorious.

The measure as it was adopted, either from its imperfections and absurdities, or because it was not generally acceptable, has been so little used as to have served no substantial purpose in supplying a currency. In fact, statements were made upon this floor, during the debate on Saturday last, that it was "ineffective and inoperative;" and that, too, by a member of the Ways and Means Committee in favor of this bill, as follows:

"I understand the object of this bill to be to perfect the existing law, the law of 1862, which, during the past year, has been shown to be ineffective and inoperative."
 "I can regard this in no other way than as an effort on the part of Congress to render efficient a law now inoperative."

If this be so, then of course the object of this substitute is to give vitality and effect to what is now supposed to be "ineffective and inoperative." Therefore it is quite proper to discuss it, much the same as if it were an original proposition.

A good while ago there grew up in this country a national institution called the United States Bank. Old Hickory Jackson said it was of unlawful origin, contrary to the spirit of our institutions, and dangerous to the liberties of the people. He swore by the Eternal, and it disappeared. And I should like to know what the distinguished gentleman from Pennsylvania, the chairman of the Ways and Means, who not long ago prayed so earnestly for "six months of the leadership of stern Old Hickory Jackson," thinks he would swear by now, if he should appear here and read this bill, knowing it was to pass by the recommendation and vote of that mortal who invoked his presence. The unprecedented popularity and indomitable will of the Hero of the



Hermitage carried him safely through his attack upon that mighty monetary power. Yet we all remember well how the death-throes of the expiring monster caused apprehension, embarrassment, and distress all over the land. Sir, if that bank, with its \$30,000,000 capital, was so dangerous to liberty, and required the wonderful energies of a Jackson to put it down, what shall be said of this mammoth institution, with its \$300,000,000 capital and its almost numberless tributaries, to be established in every part of this vast country? Verily here is an instrument of executive patronage and power worthy the conceptions of the loftiest aspirant.

Nor does the magnificent scheme halt with its present apparent proportions. One of the arguments, which meets with much favor among its advocates, is that the legal-tender system, although well enough in itself, was only intended as a temporary expedient, whereas the national currency system, as it is called, is expected to become a permanent institution and to supplant and take the place of all the other paper money of the country. Whenever the State banks can be annihilated then its volume can be increased. So soon as all the legal tender can be withdrawn it can again be increased. As the country advances, and a further demand for currency can be created, then it is to be increased again and again until the fertile imagination of the financial and political schemer and dreamer loses itself in the misty maze of the distant future. And were it not that the experience of the past, and the sober consideration of all practical, thinking financial men agree in the inevitable judgment that all visions of an unlimited paper currency not redeemable in coin are delusive and every such system must eventually explode, there might be no end of the amount and volume to which this so-called national currency could be expanded.

But even if it were possible that the vast mineral resources of the country could be developed to such an extent as to provide a specie basis for these untold millions of paper money, what would be the inevitable consequence of having these five, ten, fifteen, or any imaginable number of hundreds of millions currency all under the control of one man? If money is power—and I think most men believe it is—then here is power such as never yet existed on earth, except in the busy imagination.

In this vision of monetary power, let some man appear at the head of affairs sufficiently able and wicked to direct skillfully this vast machinery with a view to control elections; what would be the consequence? Is not the answer apparent? Is it necessary to go further, and consider exactly how he would pull the wires upon these millions of banks, and how with untold, fabulous sums of money, and the thousand insidious influences that money can command, the election would be controlled? And at last, when it was apparent that the foundations of free government were being undermined and destroyed by this stealthy, irresistible, and ungovernable monster of our own creation, let some enthusiastic, self-sacrificing patriot, with courage enough to speak out, call for a Jackson to overthrow it, and let a greater than Jackson appear,

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and what could he do? I tell you a whole army of Jacksons would be impotent against such a system, if once advanced to that position pictured for it in the expanded imagination of its projector. It would be impervious to political attack, and would only fall with its own unwieldly weight or for the want of sufficient foundation.

Experience has shown often during this war that measures urged as of the utmost immediate importance, were not only unnecessary, but of the most mischievous and alarming character. Of all the measures urged upon Congress as indispensable to the salvation of the country, none came heralded with more pompous demands for our support than the odious, unnecessary, and oppressive conscription bill of the last session. It was proclaimed to the world and announced to this House that it had passed the Senate without an opposing vote, and that whoever opposed it here would be considered little better than a traitor to his country. And it was mainly because of this offensive demand made upon members for the support of the measure that I felt bound, although just up from a severe sickness, to state, as I did upon this floor, some of my objections to it. As was anticipated by many of us, it turned out a practical failure, and was productive of the most alarming consequences.

The present bill is not less dangerous to the permanent prosperity of free government than was that to the peace and good order of society. They are both calculated to subvert the liberties of the people and centralize power in the General Government at the expense of the reserved rights of the States and the people. And both alike, having failed to answer the expectations of their supporters, are sought to be bolstered up and perpetuated by alterations and amendments which do not change their character or obviate the most substantial and important objections to their provisions.

If this measure could be carried into successful operation, and the \$300,000,000 currency proposed be substituted for the same amount of legal tender, it is difficult to understand how the Treasury would experience great relief after paying interest on the money thus withdrawn and which it now has without interest, in addition to the very considerable expenses of the new system, and the cost and inconvenience of the change.

Section one of the bill provides for the appointment of a Comptroller, &c., as follows:

He shall be appointed by the president, on the recommendation of the Secretary of the Treasury, by and with the advice and consent of the Senate, and shall hold his office for the term of five years unless sooner removed by the President, by and with the advice and consent of the Senate. He shall receive an annual salary of \$5,000. He shall have a competent deputy, appointed by the Secretary, whose salary shall be \$2,500, and who shall possess the power and perform the duties attached by law to the office of comptroller during a vacancy in such office and during his absence or inability. He shall employ from time to time the necessary clerks to discharge such duties as he shall direct, which clerks shall be appointed and classified by the Secretary of the Treasury in the manner now provided by law.

Thus at the outset we have a permanent officer with a salary of \$5,000 per annum, another at \$2,500, and a small army of clerks, unlimited in number, in addition to the expenses of providing the bills for circulation and divers other things, all to be paid by the Government.

If, however, it is supposed to be a sufficient answer to this apparent expense and loss to the Government to say that it is not for one unacquainted with the intricacies and mysteries of finance to question the wisdom of superior knowledge, that will scarcely be accepted as a sufficient answer to important constitutional objections and the impolicy and unsafety of placing all the banks and the entire banking capital of the country under the control of the executive department of the General Government or one of its branches.

It is not denied that it is the inevitable consequence of this system, if successful, to compel all the State banks to suspend business as such, and come under the new arrangement, or give place to such as will. State banks are older than the Government itself. They have not only been accepted and regarded as lawful State institutions by the authors and contemporaneous expounders of the Constitution, but have been repeatedly decided to be so by the Supreme Court of the United States.

The great State of New York, the Empire State of this Union, and the district I represent, are largely interested in this question. We have many banks, founded upon a system which has served as a model for the one now under consideration. They have furnished us a safe and convenient currency. Our people have confidence in them, so much so that they greatly prefer them to the national currency. They pay a very large proportion of our taxes; and we cannot understand what authority the General Government has, either by a sudden blow or a lingering torture, to destroy such valuable State institutions and substitute others, creatures of the National Government, and substantially exempted from local taxation. About one tenth of the entire taxable property of the State of New York is in the State banks, and in many localities a much larger proportion. Suppose this system to be perfected, and that amount of property relieved from local taxation; how are the other taxpayers to make up the deficiency in these times of alarming expenditure? And if lawful State institutions of such magnitude and importance to the States and the people can be directly or indirectly stricken down by Federal legislation, what safety is there for any local or individual right?

And again, perfect your systems; let capitalists invest in these banks; establish a privileged class of moneyed men in every vicinity exempted from local taxation: as taxes increase and become more and more onerous, a feeling of dissatisfaction, discontent, and ill-will toward the class supposed to be unfairly protected from taxation will grow up among the masses of the people, likely to result in violence and blood, arson and anarchy. There is not, it is true, in this bill any language which in terms disposes of the State banks. It will be well remembered, however, that the bill of the last Congress for which this is a substitute was speedily followed by another aiming a death-blow at the State banks by the way of taxation; and if we may argue of the future by the past, we have a right to presume this will be

immediately followed by another taxing the State banks to such an extent that they cannot live as such.

In the committee of the Whole on the 2d instant the distinguished gentleman from Maryland [Mr. HENRY WINTER DAVIS] said :

"I confess I foresee a serious struggle to take place between the banks that we are providing for and the existing State organizations. It is impossible that the State institutions can be allowed to stand side by side with those we are about to create. It is plain that either in this bill or in the tax bill stringent provisions will be adopted to drive from existence the State institutions."

From this statement, made openly upon this floor, and not denied or commented upon by the friends of this measure, it seems to be generally conceded, and unless it is now denied by those who know, I shall assume that such is the case. The efforts and the sacrifices of the State banks to serve the Government in its time of need, and the fact that they have several times, and as often as called upon, come promptly to the relief of the Government in its extremity, was remarked upon by my colleague [Mr. Brooks] the other day; and I will not enlarge upon it now, except to say that in every instance when money has been wanted to fill up the regiments and quotas sent from the district I have the honor to represent on this floor, our local banks, State institutions, have immediately and voluntarily furnished all the money required for such purposes; and under the last call some, if not all of them, have done so to the extent of nearly one-fourth of their entire capital.

And it would seem that, aside from the fact that Congress has no constitutional right or authority to interfere with and destroy lawful State institutions, it is a poor return for such patriotic devotion and the most important services which have, more than once, saved the very life of the nation, to proceed deliberately and resolutely to cripple and eventually destroy them; especially when it is believed the Government could provide for its necessities even better by a continuation of the legal-tender system at present in use, and that there can be no necessity for the proposed change, except for the purpose of establishing a pet system increasing executive patronage, and, by breaking down State institutions and weakening the sovereignty of States in the management and control of their internal and local affairs, make another grand stride in the direction of a consolidated Government and the centralization of power.

The old argument in favor of a national bank, that of giving a uniform currency, is urged now, and yet it seems apparent that the legal tender has advantages over the proposed system. It is not to be supposed that all men will be able to manage the business of banking successfully; and if not, then undoubtedly some of these banks will soon be compelled to go into liquidation; and whenever that occurs, no one can doubt that the delay in realizing, upon notes scattered, as they will be if used as currency, all over the country, will cause depreciation and distrust. Then, again, bills redeemable at a distance, even if there is no other objection to them, will pass, if at all, at a discount. And instead of having a currency like the present legal tender, good



alike in all the States, it will soon be found necessary to discriminate between the paying and the non-paying banks, and between those bills redeemable near at hand and at far-off places.

In support of the proposition that the banks of this new creation will be entirely at the mercy of the Treasury Department, and therefore to that extent subject to its control and dictation, I desire to call attention to the following sections of the bill.

Section twelve contains the following:

And the Comptroller shall have authority to withhold from an association his certificate authorizing the commencement of business, whenever he shall have reason to suppose that the shareholders thereof have formed the same for any other than the legitimate objects contemplated by this act.

Section thirteen, as follows:

Provided, That by no such reduction shall its capital be brought below the amount of its outstanding circulation, nor shall any such reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and his approval thereof obtained.

Section seventeen provides for examination, report of directors, &c.

Sec. 18. And be it further enacted, That if, upon a careful examination of the facts so reported, and of any other facts which may come to the knowledge of the Comptroller, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association or otherwise, it shall appear that such association is lawfully entitled to commence the business of banking, the Comptroller shall give to such association a certificate, &c.

Two of these sections give a discretion to the Comptroller or Secretary which is unlimited, and may be exercised so as to prevent the organization of any association not desired by the head of the Department. And the other gives authority to consent to or prevent the reduction of the capital.

SECTION 45. And be it further enacted, That all associations under this act, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government, and they shall perform all such reasonable duties as depositaries of public moneys and financial agents of the Government as may be required of them. And the Secretary of the Treasury may require of the associations thus designated satisfactory security by the deposit of United States bonds for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government.

Under this provision some can be benefited and others punished by the favors which can be extended to one and withheld from another, or changed from one to another, in the discretion of the Secretary. And any amount of deposits may be removed from one locality to another at any moment, thereby materially affecting the value of stocks and other property in different localities, at the mere will and pleasure of the head of the Department. As the sub-Treasury system is not, more than the State banks, directly attacked in terms by this bill, it may be claimed that there is no intention to interfere with it; yet it is difficult to understand what is to prevent its being substantially abandoned under the provisions referred to. It is not my purpose to enter into a discussion of the merits of that measure. It has been tried and approved by the judgment of the country, and more than once indorsed by the people; and no one recently, so far as I know, has ventured to attack it openly. And it may not be amiss simply to say that, in addition to its safety, it would, if properly continued, prevent the mischievous consequences anticipated from large Government deposits with pet banks, and the changes from bank to bank and from place to place.

Sec. 54. *And be it further enacted*, That the Comptroller of the Currency, with the approbation of the Secretary of the Treasury, as often as shall be deemed necessary or proper, shall appoint a suitable person or persons to make an examination of the affairs of every banking association, which person shall not be a director or other officer in any association whose affairs he shall be appointed to examine, and who shall have power to make a thorough examination into all the affairs of the association, and in doing so to examine any of the officers and agents thereof on oath; and shall make a full and detailed report of the condition of the association to the Comptroller. And the association shall not be subject to any other visitatorial powers than such as are authorized by this act, except such as are vested in the several courts of law and chancery. And every person appointed to make such examination shall receive for his services at the rate of five dollars for each day by him employed in such examination, and two dollars for every twenty-five miles he shall necessarily travel in the performance of his duty, which shall be paid by the association by him examined.

Under this power of examination any one of these institutions that happens to incur the displeasure of the Department can be broken down by sending persons "to make an examination of the affairs," &c., which may be ordered by the Comptroller with the approbation of the Secretary, at any time; and if one set of persons appointed to examine as long as they choose, who must be paid five dollars a day each, and two dollars for every twenty-five miles traveled, by the institution undergoing the examination, and the discredit of being subjected to such examination, and the expenses attending it, cannot break down the institution the first time trying, it may be repeated *ad infinitum*, until the desired result is accomplished. And who can doubt the influence that might be exerted in consequence of such power in the hands of one who choose to use it?

It seems to have been forgotten, sir, in these days of much talk about liberty and continual practice of Federal usurpation, that this is a Government of the people; that all the lawful authority of the governors comes from the consent of the governed; in other words, that the power proceeds from the people and the States to the General Government, instead of going from the General Government to the States and the people. If this is so, then it follows that all enactments reversing this order, or tending to impair the lawful authority of the States within their own several jurisdictions, or to encroach upon the sovereignty of the people, are anti-democratic, anti-republican.

And while I am for restoring and preserving the Union as we received it from our fathers and enjoyed it ourselves for many years, at any cost, at any sacrifice, short of a surrender of our liberties and our personal and local rights; and while I should have very little hope of liberty in a permanent Government of the people without the Union, I see no use of and have no desire for a Union without liberty; and if we must surrender all our vested rights, and give up that liberty which alone made the old Union glorious, in order to purchase it back, then, I say, the price is too great.

I will not concede, as did my colleague, [Mr. Brooks,] that Massachusetts is supreme, yet I know she is mighty in these days; and I appeal to her to remember the teachings of her own great statesman, and not sacrifice liberty even upon the altar of the Union. But give us "liberty and Union, one and inseparable, now and forever."



12
THE TREASURY NOTE BILL.

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SPEECH
OF
HON. THADDEUS STEVENS
OF PENNSYLVANIA.

Delivered in the House of Representatives, February 6, 1862.

House being in Committee of the Whole on the state of the Union, on the bill to authorize the issue of United States currency notes—

STEVENS said:

CHAIRMAN: This bill is a measure of necessity, not of choice. No one would will-issue paper currency not redeemable on demand and make it a legal tender. It is never able to depart from that circulating medium which, by the common consent of civilisations, forms the standard of value. But not a fearful measure; and when rendered necessary by exigencies, it ought to produce no ill.

A first inquiry then, is, is this measure necessary? The late Administration left a deficit of about one hundred millions of dollars. It bequeathed us also an expensive and formidable rebellion. This compelled Congress, in an extra session, to authorize a loan of \$100,000,000—\$50,000,000 of these were taken up in seven and three-tenths per cent., and \$50,000,000 of six per cent. bonds at a discount of five millions of dollars; \$50,000,000 were in demand notes payable in coin, leaving \$50,000,000 undisposed of. Before the banks failed much of the last loan they broke down; it, and suspended specie payments. The banks have continued to pay that loan, not in demand notes of the Government—but in paper kept them at par. But the last of that was paid yesterday; and on the same day the banks refused to receive them. They must sink to depreciated currency. The remaining \$50,000,000 the Secretary of the Treasury has been unable to negotiate. A small

portion of it, say ten millions, has been issued at seven and three-tenths in payment of debts.

All this has been used; and there is now a floating debt, audited and unaudited, of at least \$150,000,000. The Secretary intended to use the balance of the authorized loan by paying it out to creditors in notes of seven and three-tenths; that becoming known they immediately sunk four per cent., and if he had persevered it is believed they would have run down to ten per cent. discount. But even if these could be used (about forty millions) there would remain due about ninety millions, the payment of which is urgently demanded. The daily expenses of the Government are now about two millions. To carry us on till the next meeting of Congress would take \$600,000,000 more, making, before legislation could be had at next session, about seven hundred millions of dollars to be provided for. We have already appropriated \$550,000,000—making our entire debt \$1,100,000,000.

The grave question is, how can this large amount be raised? The Secretary of the Treasury has used his best efforts to negotiate a loan of but \$50,000,000, and has failed. Several modes of relief have been suggested; the most obvious is to borrow on Government bonds, bearing an interest of six per cent. That it is known can only be effected by putting the bonds into the market to the highest bidder. If but a small sum were wanted it might probably be had at a small discount. But if sufficient to meet our wants up to next December, or \$700,000,000, were forced into the market,



as it is wanted, I have no doubt they would sell as low as sixty per cent., as in the last English war; and even then it would be found impossible to find payment in coin. A large part of it must be accepted in the depreciated notes of non-specie-paying banks, for I suppose no one expects the resumption of specie payments until the war shall be ended. But as this Congress must provide for appropriations to the end of the fiscal year 1863, seven months more must be added to these expenses. That would require \$420,000,000 added to these \$700,000,000 before estimated, and the aggregate would be \$1,100,000,000. The discount on that sum at forty per cent. would be \$440,000,000. At the minimum discount that any reasonable man could fix, say twenty-five per cent., it would be \$275,000,000. It would, therefore, require at least bonds to the amount of \$1,500,000,000 to produce sufficient currency to make \$1,100,000,000, and carry us to the end of the next fiscal year. This sum is too frightful to be tolerated.

Certain bankers have suggested that the immediate wants of the Government might be supplied by pledging seven and three-tenths per cent. bonds with a liberal margin, payable in one year, to the banks, who would advance a portion in gold and the rest in currency. The effect would be that Government would pay out to its creditors the depreciated notes of non-specie-paying banks. And as there is no probability that the pledges would be redeemed when due, they would be thrown into the market and sold for whatever the banks might choose to pay for them. The folly of this scheme needs no illustration.

Another is to strike out the legal tender clause, and make them receivable for all taxes and public dues; but it is not proposed to make any provision for redeeming them in coin on demand. I do not believe that such notes would circulate anywhere except at a ruinous discount. No notes not redeemable on demand, and not made a *legal tender*, have ever been kept at par. Even those who could use them for taxes and duties would discredit them, that they might get them low. If soldiers, mechanics, contractors, and farmers, were compelled to take them from the Government, they must submit to a heavy shave before they could use them. The knowledge that they were provided for by taxation, and would surely be

paid twenty years hence, would not suit them.

The Secretary of the Treasury, in his report recommended a scheme to produce a uniform national currency, and furnish a market for Government bonds. It proposes that the banks shall receive their circulation from the Government to the amount of Government bonds pledged with the Treasury for their security, and that no more notes should be issued than the par value of such bonds, and should be deemed by the banks. As a general system of banking in ordinary times, it might be very useful in regulating the currency, and by the sale of the bonds the Government might command coin. But while the banks are in suspension, it is not easy to see how it would relieve the Government. If the notes were procured, it must be by accepting payment by the Government in depreciated circulation. How would that be any better than the Government's own notes? The security of the Government is equal to that of the banks, and would give as much currency. To the banks can see its advantage. They would have the whole benefit of the circulation without interest, and at the same time would draw interest on the Government bonds from the time they got the notes. Now, it is very plain that, if the United States issued those notes direct, the banks would have the benefit of the whole circulation. In other words, it would be equal to a loan without interest, to the full amount of the circulation. This project, therefore, however desirable as a banking system, could afford no immediate relief, especially as it would afford no sale for additional bonds, as the banks had already as many as would form the basis of their operations. Having, as I think, shown the impossibility of carrying on the Government in any other way, let us briefly notice some of the objections to it. First, is it constitutional?

The power to emit bills of credit and make them a legal tender is nowhere expressly given in the Constitution; but it is known that a few of the acts which Government can perform are specified in that instrument. It would require a volume larger than the Pandects of Justinian or the Code Napoleon to make an enumeration, whereas our Constitution has but a few pages. But everything necessary to carry out the granted powers of the Government

not only implied but expressly given to Congress.

If nothing could be done by Congress except what is enumerated in the Constitution, the Government could not live a week.

The States are prohibited from making any money but "gold and silver coin a tender in the payment of debts;" but such prohibition does not extend to Congress. The Constitution is not as to the power of Congress over that subject. The whole question of the right to emit bills of credit by Congress was considered at the convention that framed the Constitution. It was reported as a part of the power to "borrow money." It was objected to as tending to make the paper a currency with legal tender, and a motion was made to strike it out and insert an express prohibition. That was resisted, because, as Mr. Mason said, "it could not be seen what the necessities of the Government might at some time require." "The late war," he said, "could not have been carried on if such prohibition existed." It was finally decided to strike out the express power, and to insert the prohibition, leaving it to the exigencies of the times to determine its necessity. The right to emit bills of credit, which the convention expressly refused to grant as a substantive power, has for fifty years, by the common consent of the nation, been practiced, and is now conceded by every opponent of this measure. With what grace can the concomitant power to make them a legal tender be objected to?

The Supreme Court have settled certain principles with regard to the power of Congress to pass measures not expressly enumerated in the Constitution. The principle is, that where anything is necessary to carry into effect the grant of power it is constitutional. The eighth section of the first article of the Constitution gives Congress power—

To make all laws which may be necessary and proper to carry into execution the foregoing powers, and all other powers vested by this Constitution in the United States or in any department or officer thereof."

The Constitution nowhere gives Congress power to create corporations or to establish a bank of the United States. But as Congress has power to regulate commerce, and to regulate the value of coin, and it deemed the establishment of a bank necessary to effectuate those powers, the Supreme Court pronounced it constitutional. In short, whenever any law is necessary and proper to carry into execution

any delegated power, such law is valid. The necessity need not be absolute, inevitable, and overwhelming—if it be useful, expedient, profitable, the necessity is within the constitutional meaning. Whether such necessity exists is absolutely for the decision of Congress. Their judgment is absolute and conclusive. If Congress should decide this measure to be necessary to a granted power, no department of the Government can rejudge it. The Supreme Court might think the judgment of Congress erroneous, but they could not review it. Now, it is for Congress to determine whether this bill is necessary "to raise and support armies and navies, to borrow money, and provide for the general welfare." They are all granted powers. It is for those who think that it is not "necessary, useful, proper," to propose some better means, and vote against this; if a majority think otherwise, its constitutionality is established.

If constitutional, is it expedient? It is objected by the gentleman from Ohio that the legal tender clause would depreciate the notes. All admit the necessity of the issue. But some object to their being made money. It is not easy to perceive how notes issued without being made immediately payable in specie can be made any worse by making them a legal tender. And yet that is the whole argument so far as expediency is concerned. Other gentlemen argued that this would impair contracts by making a debt payable in other money than that which existed at the time of the contract, and would so be unconstitutional. Where do gentlemen find any prohibition on Congress against passing laws impairing contracts? There is none, though it would be unjust to do it. But this impairs no contract. All contracts are made not only with a view to present laws, but subject to the future legislation of the country. We have more than once changed the value of coin. Neither our gold nor silver coin is as valuable as it was fifty years ago. Congress in 1833, I believe, regulated the weight and value of silver. They debased it over seven per cent., and made it a legal tender. Who ever pretended that that was unconstitutional? The gentlemen from Vermont [Mr. MORRILL] and Ohio [Mr. PENDLETON] think it an *ex post facto* law. It is not wonderful that my distinguished colleague, not being a professional lawyer, should not be aware

that the *ex post facto* laws prohibited by the Constitution refer only to crimes and misdemeanors, and not to civil contracts. The gentleman from Ohio no doubt knew, but forgot it.

It is said that this will inflate the currency, and thus raise the price of commodities and stimulate speculation. How do gentlemen expect that using the same amount of notes without the legal tender will inflate it less? It will take the same amount of millions, with or without the legal tender, to carry on the war, except that the one would be below par and the other at par. No instance can be given of a currency not redeemable on demand in gold that did not immediately depreciate. But if made a legal tender, and not a redundancy of it emitted, it will be par. I fear gentlemen have not well consulted standard writers on this subject, but have substituted their own fancy and wild declamation.

McCulloch, one of the most learned of writers on that subject, says:

"But though the condition that they shall be paid on demand, with the belief that this condition shall be complied with, will be necessary to sustain the value of notes issued by private parties or associations, it is not necessary to sustain the value of paper money, properly so called, or of notes which have been made a legal tender. The only thing required to sustain the value of the latter description of currency is that it should be issued in limited quantities.

"Every country has a certain number of exchanges to make; and whether these are affected by the employment of a given number of coins of a particular denomination, or by the employment of the same number of notes of the same denomination, is, in this respect, of no importance whatever. Notes which have been made legal tender, and are not payable on demand, do not circulate because of any confidence placed in the capacity of the issuers to retire them; neither do they circulate because they are of the same real value as the commodities for which they are exchanged:

they circulate because, having been selected to perform the functions of *money*, they are, as such, readily received by all individuals in payment of their debts. Notes of this description may be regarded as a sort of tickets or counters to be used in computing the value of property, and in transferring it from one individual to another. And as they are nowise affected by fluctuations of credit, their value, it is obvious, must depend entirely on the quantity of them in circulation as compared with the payments to be made through their instrumentality, or the business they have to perform."

The value of legal tender notes depends on

the amount issued compared with the business of the country. If a less quantity were than the usual and needed circulation would be more valuable than gold.

The same author says:

"By reducing the supply of notes below the supply of coin that would circulate in place where they withdrawn their value is raised above the value of gold, while increasing them to a greater extent it is proportionally lowered." * * * * * cannot, however, be the least difference respects value, in the provinces, between of England paper, now that it is legal tender and gold."

Mr. THOMAS, of Massachusetts. I wish to ask the gentleman a question in connection with that passage. McCulloch laid down the doctrine that the paper is limited to the amount necessary for currency. Let me ask the gentleman from Pennsylvania whether he expects, in managing these financial matters, to limit the amount of these notes to \$150,000,000. Is that his expectation?

Mr. STEVENS. It is. I expect that to be the maximum amount to be issued.

Mr. THOMAS, of Massachusetts. You do not expect to call for any more?

Mr. STEVENS. No, sir: I do not.

Increase gold and silver beyond the amount needed, and you depreciate its value. So with the inflation of the currency is just as injurious if it were in paper, so far as raising prices and stimulating speculations are concerned.

I know the danger of granting to irresponsible institutions or individuals the right to issue paper currency not immediately convertible, because their avarice would always abuse the privilege and over issue. But when the Government thus issues, the fault or crime is theirs if they do not restrain it within proper bounds. Is the proposed issue of \$150,000,000 too much? It is believed that the ordinary business of the country, especially now, requires a circulation of \$400,000,000. The bank circulation has been about \$300,000,000, with coin to the amount of \$100,000,000. The bank paper, now in suspension, would largely disappear before this parliament and during suspension, which means that at the close of the war, there will be but little coin circulation. If the whole \$150,000,000 of United States notes could be kept circulating, I do not think the surviving bank paper would furnish sufficient currency for commercial purposes.

some coin must be added. But it is not probable that it could all be kept out; much would rest in banks, in the pockets of private individuals, or await investment temporarily.

But my distinguished colleague from Vermont fears that enormous issues would follow to supply the expenses of the war. I do not think anymore would be needed than the \$150,000,000. The notes bear no interest. No one would seek them for investment. In the rapid circulation of money, \$100 in a year is turned so often as to purchase ten times its value. This money would soon lodge in large quantities with the capitalists and banks, who *must* take them. But the instinct of gain, perhaps I may call it avarice, would not allow them to keep it long unproductive. A dollar in a miser's safe unproductive is a sore disturbance. Where could they invest it? In United States loans at six per cent., redeemable in gold in twenty years, the best and most valuable permanent investment that could be desired. The Government would thus again possess such notes in exchange for bonds, and again reissue them. I have no doubt that thus the \$500,000,000 of bonds authorized would be absorbed in less time than would be needed by Government; and thus \$150,000,000 would do the work of \$500,000,000 of bonds. When further loans are wanted, you need only authorize the sale of more bonds; the same \$150,000,000 of notes will be ready to take them.

I contend that this currency will be better than any this country can produce. Bank notes are merely local. The holder of them in St. Louis, wishing to transmit to New York, must pay a discount of from one to ten per cent. If he has gold, the cost of transportation is considerable. If he travel, it is cumbersome. But if he has United States par notes, he can send them without cost all over the Union.

Gentlemen are clamorous in favor of those who have debts due them, lest the debtor should the more easily pay his debt. I do not much sympathize with such importunate money-lenders. But widows and orphans are introduced in tears, lest their estates should be badly invested. I pity no one who has his money invested in United States bonds, payable in gold in twenty years, with interest semi-annually.

But while these men have agonized bowels over the rich man's case, they have no pity for the poor widow, the suffering soldier, he

wounded martyr to his country's good, who must receive these notes without legal tender or nothing, and who must give half of it to the Shylocks to get the necessaries of life. Sir, I wish no injury to any, nor with our bill could any happen; but if any must lose, let it not be the soldier, the mechanic, the laborer, and the farmer.

Let me restate the various projects. Our proposes United States notes, secured at the end of twenty years to be paid in coin, and the interest, raised by taxation, semi-annually; such notes to be money, and of uniform value throughout the Union. No better investment in my judgment, can be had; no better currency can be invented.

The amendment of the gentleman from Ohio [Mr. VALLANDIGHAM] proposes the same issue of notes, but objects to a legal tender; but does not provide for their redemption on demand in coin. He fears our notes would depreciate. Let him who is sharp enough to see it instruct me how notes that every man must take are worth less than the same notes that no man need take, and few would, being irredeemable on demand. But he doubts its constitutionality. He who admits our power to emit bills of credit, nowhere expressly authorized by the Constitution, is a sharp and unreasonable doubter when he denies the power to make them a legal tender.

The proposition of the gentleman from New York [Mr. ROSSIE CONKLING] authorizes the issuing of seven per cent. bonds, payable in thirty-one years, to be sold (\$250,000,000 of it) or exchanged for the currency of the banks of Boston, New York, and Philadelphia.

Sir, this proposition seems to me to lack every element of wise legislation. Make a loan payable in irredeemable currency, and pay that in its depreciated condition to our contractors, soldiers, and creditors generally! The banks would issue unlimited amounts of what would become trash, and buy good hard money bonds of the nation. Was there ever such a temptation to swindle?

He further proposes to issue \$200,000,000 United States notes, redeemable in coin in one year. Does not the gentleman know that such notes must be dishonored, and the plighted faith of the Government broken? No one believes that we could then pay them, and it would run down at once. If we are to use expanded

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RESUMPTION OF SPECIE PAYMENTS.

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NOTES OF A CONFERENCE

BETWEEN THE

COMMITTEE ON BANKING AND CURRENCY

OF THE

HOUSE OF REPRESENTATIVES

AND THE

HON. JOHN SHERMAN, SECRETARY OF THE TREASURY,

APRIL 1ST AND 4TH, 1878.

MEMBERS OF THE COMMITTEE:

HON. A. H. BUCKNER, *Chairman*.

MESRS. THOMAS EWING, AUGUSTUS A. HARDENBERGH, JESSE J. YEATES, WILLIAM
HARTZELL, HIRAM P. BELL, E. KIRKE HART, BENJ. T. EAMES, S. B. CHIT-
TENDEN, GREENBURY L. FORT, AND WILLIAM A. PHILLIPS.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
APRIL, 1878.



COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,
Washington, April 1, 1878.

Present, Mr. Buckner, chairman ;
Messrs. Ewing, Hardenbergh, Hartzell, Bell, Eames, Chittenden, Fort,
and Phillips ;
The Hon. John Sherman, Secretary of the Treasury.

The chairman read to the Secretary a copy of the letter sent to him on the 28th ultimo, in which were stated the several points upon which the committee wished to be informed at the conference set for to-day. The first was a statement showing the actual amount of gold and silver coin and bullion belonging to or in the custody of the Treasury Department on the 28th of March, where located, and what deductions were to be made from it on account of actual existing demands against it.

Secretary SHERMAN. I can give you a statement up to the 28th of February, 1878. I am not able now to give you the statement for the month of March, but can do it to-morrow or next day, and I will probably attach it to my answer. This, however, is the general result of the statement. We have at the Treasury, the different subtreasuries, assay-offices, and depositories :

In gold coin	\$118,351,709
In gold bullion	7,937,300
In subsidiary silver coin	5,675,494
And in silver bullion	2,955,577

(See Appendix No. 3.)

I have also got the comparative debt statement, but I think I had better not put it in now, because I will have the complete statement made to-day. This being the first of the month, it could not be made up until to-day. (See Appendix No. 5.)

The CHAIRMAN. The next point called for by the committee is a statement of gold and silver coin and bullion in the Treasury, less the items deducted in your statement made before the Senate Finance Committee, from 1865 to 1877, inclusive.

Secretary SHERMAN. The Treasurer has tried to give that statement, as far as he can, but he could not give it complete, except as to the statement made on the 1st of February, 1877. In this statement he says this :

The committee, in their inquiry No. 2, asked for a statement similar to the above, for each year from 1865. It has been found impracticable to comply, as to the years from 1865 to 1876, in the short time allowed, on account of the form in which reports from assistant treasurers and mints and assay offices were made prior to 1877. In fact, to make the statement as requested would necessitate correspondence with all the above offices.

I told him that as this statement gives you the items a year ago, and as you have also that statement for this year, that was all you would probably want. The amount of gold and silver available on the 1st of

February, 1877, was \$11,936,771, after making the same deductions as were made in the table given to the Finance Committee, on page 4. This table (Appendix No. 2) contrasting with that table will show the condition of the Treasury as to gold and silver then and on the 1st of February of this year. The amount a year ago was \$11,938,771, and the amount on the 1st of February this year was \$71,775,860, making the increase of gold and silver available between the 1st of February, 1878 and the 1st of February, 1877, \$59,839,089.

This statement (handing it to the committee) will give you the amount in silver coin, in silver bullion, in gold coin, &c.

There was another fact which I thought the committee would desire to have in this connection. I thought that the committee would want to know the distribution of this money on the 28th of March, 1878. We had in gold coin and standard silver dollars \$114,666,958; in fractional silver coin \$5,736,639; and in gold and silver bullion \$13,664,914. The amount of silver standard dollars included in this is estimated at \$454,711. (See Appendix No. 4.)

The CHAIRMAN. The third inquiry is the amount of bonds sold up to February 1, 1878, and not paid for.

Secretary SHERMAN. If that question means simply to inquire as to the amount of bonds not paid for at that date, my answer is that they are all paid for. There are no bonds issued unless they are paid for; but I suppose that what the committee means by this question is to ascertain the amount of bonds actually sold for resumption purposes, and also for refunding purpose. I have the distribution here; but in direct answer to the question it will be perhaps sufficient for me to say that there are no bonds which have not been paid for. We take subscriptions, but never issue the bonds until we get the money. An arrangement has been made with the Bank of Commerce, in New York, by which we allow that bank to collect currency and coin drafts for bonds, and when the coin is paid into the Treasury the bonds are sent to the person. The actual amount of bonds sold under the resumption act and under the refunding act is as follows:

Under the resumption act—

5 per cent. bonds of 1881.....	\$17,494,350
4½ per cent. bonds of 1891.....	15,000,000
4 per cent. bonds of 1907.....	25,000,000
Total.....	57,494,350

The bonds issued on account of refunding are as follows:

5 per cent. bonds of 1881.....	\$490,000,000
4½ per cent. bonds of 1891.....	185,000,000
4 per cent. bonds of 1907.....	55,000,000
Total.....	730,796,000

Which last sum added to the \$57,494,350 on account of resumption makes the total \$788,290,550.

I ought to say that the proceeds of all the bonds that were sold under the refunding act were applied to the payment of an equal amount of 5 20 bonds bearing 6 per cent. interest.

The CHAIRMAN. These bonds were sold at par, were they not?

Secretary SHERMAN. Yes, sir; par in coin. We paid out of the Treasury one-half of 1 per cent. for commissions and expenses.

The CHAIRMAN. The fourth inquiry is as to the usual amount of annual coin liabilities of the government, stating separately the liabilities for interest, sinking-fund, foreign service, &c.

Secretary SHERMAN. I have this for last year. It is as follows:

Coin interest paid during fiscal year 1877.....	\$92,883,431 27
Amount applied to the sinking-fund during fiscal year 1877.....	447,500 00
Amount paid for diplomatic service during fiscal year 1877.....	755,286 06
Amount paid for foreign naval service during fiscal year 1877.....	2,224,124 49
Amount of customs refunds during fiscal year 1877.....	5,247,800 65
Amount expended for refunding national debt, parting and refining bullion, &c., during fiscal year 1877	901,927 30
Total.....	102,460,069 77

You are aware that under the law importers very often deposit money in advance of their entries, and then, when their entries are liquidated, the excess is returned to them. That system is adopted in order to enable them to get their goods quickly. Also in some cases where disputes arise as to the amount of duties, if the duties are paid in excess, the excess is refunded. These refunds are in the ordinary current course of business.

The CHAIRMAN. This total of \$102,460.69 is the coin payments for the last fiscal year?

Secretary SHERMAN. Yes, sir; divided up in the way I have stated.

The CHAIRMAN. The fifth question which the committee desired you to answer, is the amount of fractional currency redeemed and carried to the account of the sinking fund, and what applications of coin, if any, have been made on account of the sinking fund during the current fiscal year.

Secretary SHERMAN. The answer to that is:

The amount of fractional currency applied to the sinking fund in 1876 was \$7,062,142.09, and in 1877, \$14,043,458.05. So far in this fiscal year the redemptions of fractional currency amount to \$3,382,621.45, making a total of \$24,488,211.59 applied to that fund. No coin applications have been made to the sinking fund during the current fiscal year, except the redemptions of bonds heretofore called, amounting to \$67,700.

Some cases occurred where bonds were sent on by parties by mistake, and we redeemed them; and they were put into the sinking fund. After that we adopted the habit of returning bonds that were sent by mistake.

The CHAIRMAN. The next question is, what is meant by balances in the sinking-fund accounts? Of what items are those balances made up?

Secretary SHERMAN. It is very natural for any person, lawyer or business man, to be misled by the use of the word "balance" in these sinking-fund accounts. A balance may not be a balance of money in hand; and, in this particular case, the word "balance" means either an amount of the sinking fund which has not been made good by the purchase of bonds, or an excess of the amount required by law. These are called balances, and this table on page 18 of the Finance Report shows very fully how the sinking fund is made up, and of what items it is composed. This table goes back to 1869, and shows at the end of that fiscal year a balance to new account; that is, the balance to new account is a balance in this case of an amount paid—more than the law required—into the sinking fund, and therefore it is put to the credit of the sinking-fund for the next year.

Then, the next year, they had not bought quite as many bonds for the sinking fund as the sinking-fund law required, and so there was a balance of \$1,254,000 which was carried to the credit of the sinking fund to be made up the next year, and so on. These balances continued, amounting to somewhere between half a million and a million and a half of dollars. Sometimes they would be on the one side and

sometimes on the other, and they were carried forward until 1873 or 1874, when, after the panic, the revenues fell off, and they failed to make good the sinking fund. The amount of deficit in making good the sinking fund in 1874 was stated at \$16,305,000. Mr. Bristow, I am told, declined to carry forward this balance to the next year because it was apparent that, from the condition of the finances, he would not be able to make good that balance in addition to the sinking fund for the next year, and therefore the balance was dropped. It represents simply the amount which the government failed to apply to the sinking fund. Instead of carrying it forward in his accounts, the Secretary dropped it. That is what I did last year, and what Mr. Morrill had done. We did not undertake to carry forward the deficiency in one year to swell the sinking fund for the next year.

Mr. BELL. Then this term "balance" applied to the sinking fund indicates either the excess or the deficit in the sinking fund for the year?

Secretary SHERMAN. That is all. At first the balances were carried forward and were made good the next year, because they did not amount to much; but when the deficit became so great, and when it became apparent that it could not be made good, the Secretary just dropped it. Now, last year we were deficient in the sinking fund \$9,235,000, simply because we could not, out of the surplus revenue, make good that fund.

The CHAIRMAN. On the whole, have not the deficiencies in the sinking-fund account been more than made good since the passage of the act?

Secretary SHERMAN. Yes. You will find a statement of that in Mr. Morrill's report. The sinking fund was never kept as an account in the Treasury Department until after the refunding act of 1870. A section in the refunding act provided for the stating of the account of the sinking fund, and then it was first commenced. Up to that time a statement was made showing how far the sinking fund had been kept under the act of February, 1862, and it was found that by the application of the surplus revenue to the payment of the debt, the stipulations of the sinking-fund act had been largely exceeded, to the amount of \$200,000,000. Now the sinking-fund account is regularly kept, and the exact statement of it is shown by Mr. Morrill's reports and also by my annual reports.

The CHAIRMAN. Have you the report of the examiners at the sub-treasury office, New York, as to the coin there?

Secretary SHERMAN. Yes, sir; I have the preliminary report of Mr. E. O. Graves, which is as follows:

TREASURY OF THE UNITED STATES,
Washington, March 29, 1878.

SIR: I have the honor to submit a preliminary report upon the examination of the office of the assistant treasurer of the United States in New York, recently made under my direction in pursuance of the instructions given in your letter of the 11th instant. The funds found in the possession of that office at the close of business on the 12th instant, at which time I took charge (exclusive of currency and coupons in process of redemption and not charged to the cash), were as follows, the coin being verified by weight and the notes, currency, and securities by actual count and examination of each individual obligation:

Gold coin.....	\$100,051,290 00
Gold bars.....	3,367,713 96
Coin checks, paid on March 12, 1878, but not charged up.....	1,069,114 78
Silver coin.....	1,396,436 94
Coin certificates.....	3,197,900 00
United States notes.....	32,614,479 00
National currency.....	428,711 00
Fractional currency and minor coin.....	194,088 92

RESUMPTION OF SPECIE PAYMENTS.

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Redeemed legal-tender certificates of deposit, June 5, 1878.....	\$3,337,000 00
Coin coupons.....	2,288 11
Coupons of District of Columbia bonds.....	110 41
Treasurer's checks for registered interest on District of Columbia bonds.....	2,773 75
Redeemed call bonds and interest.....	2,112 48
Treasurer's coin quarterly-interest checks:	
Funded loan of 1871.....	45,188 00
Funded loan of 1891.....	1,162,200 00
Funded loan of 1907.....	2,200,000 00
Receipts for advances on salaries of employees.....	2,421 00
Cash for petty expenses in cashier's hands.....	15 00
Seven-thirty notes purchased, being balance of amount of counterfeited 7-30 notes purchased, and for which judgment has been obtained in favor of the United States.....	5,730 31
Total.....	14,777,511 26
Total as shown by assistant treasurer's report of March 10, 1878.....	14,776,686 35
Deficit.....	824 91

Only \$1,777.51 of the deficit arose in the seven and one-half years during which the present incumbent has held the office of assistant treasurer, and of that amount \$1,500 is due to a single shortage discovered in a package of notes received from a bank in payment of a draft, but which the bank refused to make good. This leaves a deficit from all other causes during the present assistant treasurer's incumbency of but \$277.51; a most remarkable record considering the vast amount of money which has passed through his hands. The items composing the entire deficit will be explained in full in my final report.

Very respectfully, your obedient servant.

E. C. GRAVES.

To Hon. JOHN SHERMAN,
Secretary of the Treasury.

The items of this deficit had been reported and known at the department, so that there was no actual variation between the statement as made by the assistant treasurer and the actual count. Perhaps I ought to say that this count occurred also here in Washington in July last, at the time that Mr. Gillfillan took possession of the Treasurer's Office. Every item and paper was counted before he gave his receipt for the money, and everything was found to be correct, except a small item of \$1,831, of which we have a full account.

Mr. CHITTENDEN. I have prepared four questions in the interest of those whom I represent, to which I should like to have your answer:

First. With silver dollars and silver certificates full legal tender for all debts, including the customs and the public debt, is not gold practically demonetized; and how will you renew your supplies, or prevent its exclusive use as merchandise in foreign commerce?

Second. Is there no danger that the national banks, in taking care of themselves, will hoard greenbacks enough to exhaust your gold reserves when the day for resumption comes?

Third. Is it not probable that, before you have coined 100,000,000 of the new silver dollars, with greater activity in foreign trade, they will be exported at their bullion value to settle trade balances, and with what effect upon the price of silver bullion?

Fourth. Does not your success in resuming coin payments with our so-called double standard depend absolutely upon an advance in the price of silver bullion in London to about 59 pence sterling per ounce?

I have not spoken with any member of the committee in framing these questions. They were framed at my own table, and I am influenced only by my correspondence and by questions asked of me by those whom I represent.

Secretary SHERMAN. I would a great deal rather, in this conference give the committee the facts and let the committee draw its own infer-

ences, than attempt to give my own opinions. But I have no objections to answering any of those questions. I think that a certain amount of silver dollars issued will not have the effect which Mr. Chittenden thinks. I believe we can maintain at par in gold a certain amount of silver dollars; precisely what amount I would not like to say, because that is a question of opinion. But I have the idea that we can maintain at par in gold no less than \$50,000,000; perhaps more—say from \$50,000,000 to \$100,000,000; but whenever those silver dollars become so abundant and so burdensome that the people would not have them and would not take them, and that they would not circulate, then undoubtedly they would gradually sink to the value of the bullion in them. That is my opinion, but I do not think it wise for either this committee or myself to discuss this question much, because the silver bill is a law, and, whatever we may think of its effects, the public mind will not be satisfied until that law is fairly tried. The effect of the silver bill is not going to be very rapid, nor will the fall in silver be anything like so rapid as is probably feared, and long before the silver dollar can sink to the value of silver bullion, Congress will undoubtedly correct the law if it were to have that effect. If, on the other hand, it should have the effect, which is anticipated, of raising the mass of silver up to the standard of gold, then Mr. Chittenden need not be afraid. Therefore, I say that I do not think I ought to give my opinion further on that subject. I have not changed my mind about the silver bill, although the newspapers say that I have. I think that (as a matter of policy) the silver bill, which makes silver available to pay bonds issued by the United States either before or after the refunding or resumption acts, is not good policy. I have stated that over and over again publicly, and I do not deny it. But the silver bill is the law. We are not infallible. It cannot operate quickly in that way, and therefore we had better give it the full benefit of an experiment, in the certainty that, if Congress finds that it has the effect which is now anticipated, Congress can at any moment stop the issue of silver dollars. I think that that is as far as I ought to answer these questions.

Mr. CHITTENDEN. It is not my object to embarrass the Secretary in any way in these questions.

The CHAIRMAN. The Secretary is of the opinion that "Sufficient to the day is the evil thereof;" that we will take care of the present, and let the future take care of itself.

Secretary SHEERMAN. If you allow me, I can now, in connection with your question in regard to my opinion as to the practicability of resumption, and especially in regard to an interview published in the newspapers between Mr. Ewing and bankers in New York, give you my opinion. I have read that interview with a great deal of attention, because I know many of the gentlemen who took part in it.

The CHAIRMAN. It is proper for me on the part of the committee to say that it was not intended that that interview should be made public; but the report of it was surreptitiously obtained in some way.

Secretary SHEERMAN. I do not think there was the slightest objection to publishing it.

The CHAIRMAN. Only probably on account of confidential relations.

Mr. EWING. We told those gentlemen at the conference that we had our secretary for the purpose of taking down their statements, not with a view to publishing them, but merely for the information of the committee, and the committee feels exceedingly annoyed about the publication, because it seems like a violation of that understanding; but the

paper was surreptitiously obtained, and the committee does not feel at fault about it.

Mr. CHITTENDEN. Special pains were taken at New York to exclude newspaper reporters.

Secretary SHERMAN. It is pretty hard to exclude newspaper reporters; but I think it was right enough to have that conference published. It presents the opinions of very intelligent gentlemen, whose business it is to be familiar with the subject, and their opinions are entitled to full weight. I can only give you my general reply to them.

My reply would be about this: These gentlemen assume three propositions. First, that we cannot sell enough 4 per cent. bonds to prepare for resumption; second, that the national banks can throw upon the government the burden of resumption of bank-notes as well as of United States notes; third, that resumption requires the resumption and cancellation, without power of reissue, of United States notes below \$300,000,000. To these I answer, that I believe that, with such auxiliary legislation as is pending in both houses, we can sell enough 4 per cent. bonds to prepare for resumption; but, if I am mistaken in this, we can sell either 4½ or 5 per cent. bonds, which they admit will command gold, silver, and bank-notes, to maintain resumption. Some of these gentlemen have proposed to me that, if I sell them 4½ per cent. bonds at par in coin, they will guarantee enough coin for resumption; and I have some better offers from other banks and bankers, so that, on this point, it is only a question of rate of interest on bonds. When it becomes clear that money cannot be had for 4 per cent., it is time enough to pay 4½. The silver bill has crippled my power to sell 4 per cent. bonds, but a wise savings bill, that will enable me to deal directly with the people, would go far to repair this. Upon the second point: It may as well be understood that the national banks cannot throw upon the government the burden of redeeming their notes. The attempt would be suicide. They are bound to redeem their notes on demand at the Treasury with United States notes or coin, and to maintain in their vaults very large reserves of United States notes. Any effort of theirs to force the redemption of their reserves of United States notes in coin would at once cause the government to withdraw all government deposits from them, to present all bank-notes held or received by the government for redemption, and, if need be, to exchange United States notes for bank-notes.

Such a struggle as these gentlemen contemplate would end in their losing their power to issue circulating notes at all. Their talk about forming a line to break the government is not discreet and is not dangerous. I am more concerned about what you will do than about what they will do. The United States Government already holds a larger cash reserve for the redemption of its notes in proportion to demand liabilities than any bank represented by these gentlemen, and it has power to increase it. Our certificates of deposit—the most dangerous item of liabilities—are secured, dollar for dollar, by coin or United States notes actually in hand, while the banks owe over \$600,000,000 to depositors, the great body of which is represented by notes and bills discounted. The only demand liability we owe not covered by actual cash in hand is the United States notes, and of these \$70,000,000 are in our vaults, and \$70,000,000 more the banks are bound to retain in their reserves. With a coin reserve of \$100,000,000 to \$150,000,000, the redemption of \$300,000,000 of United States notes would be easy, and that reserve could not be diminished to any considerable extent by the banks, or any combination of banks, without a continuous draft upon

is all paid to agents here, and we cannot distinguish the amount of interest that is paid to bondholders here, from the amount that is paid abroad. The best estimate that I can form is that the amount of bonds held abroad is about six hundred million dollars; but there is a difference of opinion about that. I think that that is pretty near the thing.

Mr. EAMES. I desire to present to the committee, in the presence of the Secretary of the Treasury, a consideration which, I think, is important in determining the question whether the government can resume or not in January, 1879. There is now outstanding about three hundred and forty-seven millions of greenbacks and three hundred and sixteen millions of national-bank notes, amounting together to some six hundred and sixty millions of paper currency. That is now used for the purpose of the business transactions of the country. The point to which I wish to direct the attention of the committee and of the Secretary of the Treasury is, whether the three hundred millions of legal tenders are not absolutely requisite for the business purposes of the country, and whether, therefore, there will be any very great desire to exchange them for gold.

Secretary SHERMAN. I do not think we have a great excess of currency now. These bankers say that there is not enough of currency. So long as there is a want of confidence in our ability to resume, it is likely that the greenbacks will be presented for redemption to some extent; but if we were so strong that the public mind was satisfied of our ability to resume, there would be no motive to present notes for redemption (especially when they may be redeemed in silver). Then, I agree that these notes will not be presented.

Mr. FORT. Would not a premium of 1 per cent. run these notes in for redemption, even with confidence restored?

Secretary SHERMAN. O, yes; but we must abolish the 1 per cent. difference.

Mr. PHILLIPS. Can you state any distinction between legal-tender notes and national-bank notes in regard to the obligation of redemption?

Secretary SHERMAN. Certainly, sir. We have nothing to do with the redemption of the national-bank notes. The banks can take care of that themselves, and they are doing it now. They have an enormous reserve.

Mr. PHILLIPS. It is stated in the papers of Saturday that you ordered the retirement of \$767,000 of legal tender notes for last month.

Secretary SHERMAN. Certainly. The law explicitly required that.

Mr. PHILLIPS. I thought that the law left it to your discretion.

Secretary SHERMAN. Not at all. The Treasurer of the United States, at the end of each month, on the report of the Comptroller of the Currency that such an amount of national-bank notes has been issued, retires and redeems from his currency reserves 80 per cent. of greenbacks. I have nothing to do with it.

Mr. FORT. Do you think that good policy?

Secretary SHERMAN. I do. That must be continued until the amount of greenbacks is reduced to \$300,000,000.

Mr. PHILLIPS. Do you think it safe to reduce the volume of greenbacks to \$300,000,000?

Secretary SHERMAN. I think \$300,000,000 is enough.

Mr. PHILLIPS. Can you not safely resume unless you reduce the amount of greenbacks to \$300,000,000?

Secretary SHERMAN. I cannot say that. The law provides a mode by which the currency can be reduced to \$300,000,000.

Mr. HARDENBERGH. If Congress should adjourn, with the state of

the finances as they are now, and without additional legislation, and with resumption fixed to take place on the 1st of January next, do you not suppose that the national banks will have to buy from thirty to fifty millions of gold to make themselves strong enough to meet resumption?

Secretary SHERMAN. Certainly; they are doing it largely now.

Mr. FORT. Do you still desire to cancel the forty-seven millions of legal tenders now outstanding in excess of the three hundred millions.

Secretary SHERMAN. I think it wise to stand by the present law.

The CHAIRMAN. Do you actually destroy this eighty per cent. of greenbacks?

Secretary SHERMAN. We reduce it monthly. The amount is stated in every debt-statement. It is an actual destruction of the greenbacks. The idea was that \$300,000,000 of greenbacks can be easily and surely maintained at par in coin.

Mr. BELL. Is it your judgment that the volume of currency at \$100,000,000 will be adequate to the business wants of the country?

Secretary SHERMAN. No; in my judgment the currency will be increased from time to time by the free action of the national banks, and I believe that the amount of circulation in this country, where we are accustomed to paper money, will be always largely in excess of what it could be in old countries where they hoard coin.

Mr. EWING. And in excess of what it is now?

Secretary SHERMAN. I am inclined to think that we can maintain the present volume of circulation—six hundred millions—but that is a larger per cent. circulation than was ever maintained by any other country. That is a question for the banks to decide for themselves.

Mr. PHILLIPS. Has not the volume of national-bank notes been readily reduced since the passage of the resumption act?

Secretary SHERMAN. Certainly; because the banks chose to retire them. They have a right to do that, and they chose to retire them; I cannot control that. The Secretary of the Treasury has no more to do with the process of reducing the currency or of increasing it than any of you gentlemen—not near so much, because you can stop it and I cannot; I simply execute the law.

Mr. EWING. In your statement to the Senate Finance Committee I read the following:

TREASURY OF THE UNITED STATES.

Washington, March 18, 1878.

SIR: In accordance with your request, I have the honor to state the amount of gold and silver in the Treasury on the 23d ultimo, the date of the last debt-statement. Such is as follows, viz:

Gold coin.....	\$117,151,455 62	
Gold bullion	7,937,300 21	\$125,088,755 83
Amount to credit of disbursing officers and outstanding checks.....	6,190,626 00	
Gold certificates actually outstanding	44,498,500 00	
Interest.....	6,818,677 25	
	4,900,200 00	

1878

last day of February, 1878, was \$71,775,000. You then say that you have practically, for business purposes, \$20,000,000 more of coin applicable to resumption, because you have deducted from the gold in the Treasury four items, making an aggregate of about \$62,000,000, part of which you assume that you can use.

Secretary SHERMAN. Yes, sir.

Mr. EWING. Now, I ask you which of those items so deducted are practically available for resumption?

Secretary SHERMAN. The amount to the credit of disbursing-officers and outstanding checks varies but very little, because it rarely, if ever, gets below \$5,000,000, and it varies from that up (the amount in process of disbursement), so that you can very fairly anticipate that fact (it is a business fact), just as a merchant can anticipate the coming in of his bills receivable.

Mr. EWING. Is not that, banking?

Secretary SHERMAN. Every man does banking in that sense.

Mr. EWING. Would the Treasury be justified in disregarding outstanding existing interest obligations by applying the coin which was set apart to meet those obligations to the redemption of legal-tender notes?

Secretary SHERMAN. The Treasury will do just what any prudent individual will do; it will anticipate the demands upon it, and always have money to meet those demands. It is sufficient for me to say that the law authorizes the use in anticipation of coin-certificates. The amount of coin-certificates that may be issued can be 20 per cent. in excess of actual coin. The Secretary of the Treasury, from the known certainty that these coin-certificates will not be and cannot be presented all at once, and are not likely to be diminished in amount, can issue 20 per cent. in excess of the actual coin on deposit.

Mr. EWING. Yes, the law gives you that authority. What would 20 per cent. of the coin-certificates amount to?

Secretary SHERMAN. Nearly \$9,000,000.

Mr. EWING. So that you might at this time issue coin-certificates to the amount of \$9,000,000 beyond the amount of coin now in the Treasury?

Secretary SHERMAN. Yes, sir. The law authorizes that. I will say, however, that it has not been done. As to the next item, "Called bonds and interest"—\$6,818,677—that amount is in the Treasury, and is always there. There is interest due and carried on the debt-statement for twenty or thirty years; but we count it as a demand that we must provide for, and it is covered by this deduction.

Mr. EWING. How much of that amount is for called bonds and interest on such bonds?

Secretary SHERMAN. The whole of it. We have now in the Treasury over \$7,000,000 due to "called bonds and interest"—that is, bonds that are due and not bearing interest, but that are not presented for payment. Sometimes bonds come in three or four years after they are due, and they are then paid.

Mr. EWING. Can anything approaching that amount have gone beyond the ninety days when the payment of interest stops?

Secretary SHERMAN. Every dollar of that has gone beyond the ninety days. Whether that amount will be continuously in the Treasury is only to be told by a comparison of the statements of "called bonds and interest." I have no doubt that some of that amount will never be called for. You will find by reference to the monthly statements that the amount varies from month to month, but it is an item which can be counted on with almost as much certainty as any other item.

Mr. EWING. I notice from the Treasury report that the whole "slack" from the beginning of the government to August, 1877, is less than 2,000,000 out of the \$7,000,000 of aggregate of called bonds and interest unpaid to date. I don't think you can very safely assume that \$5,000,000 of bonds under recent calls will not be presented.

Secretary SHERMAN. On the contrary, under the last call—which is charged up and included in this last statement (a call of \$10,000,000, made on the 6th of December last and maturing on the 6th of March)—it \$7,000,000 of bonds had been presented on the day before yesterday, leaving \$3,000,000 not presented. That leaves two or three millions of that particular call. I do not say that you can rely upon it with absolute certainty.

Mr. EWING. This inquiry is to ascertain how much gold and silver can be certainly relied upon to redeem legal-tender notes.

Secretary SHERMAN. Well, I think you can fairly count on at least one-half of this \$6,818,677 of "called bonds and interest." In all human probability there will be three or four millions of that amount that will not be called for.

Mr. EWING. Within what time?

Secretary SHERMAN. There will be that balance on that account all the time, because we are going on to make calls all the time.

Mr. EWING. But if you are pushed to get coin enough to redeem legal-tender notes you are certainly not going to continue the call of bonds; that probably that item will disappear from your resources.

Secretary SHERMAN. In my judgment, we will go on and make those calls. Last year we accumulated \$60,000,000 of actual gold in the Treasury, while at the same time we were making calls at the rate of \$1,000,000 a day; and therefore your conclusion does not follow. If we had this question of resumption fixed beyond doubt, and if the people understood that it was to come, the bonds would be taken promptly and the calls would be rapid; because accumulation for resumption accompanies and is increased by refunding. The actual experiment shows it. Whenever we have made calls we have accumulated coin, until last December, when, by the agitation created here in Congress, it ceased. My calls were outstanding, but the bonds did not sell.

Mr. EWING. We are trying to ascertain the amount of coin which you can certainly use in redeeming legal-tender notes; and you say that in an exigency you can use that item of \$6,818,677 of "called bonds and interest," or a portion of it. It seems to me that if the exigency arises you will be in such a condition that you will not be calling bonds and increasing your coin demand; and, therefore, that that fund is not available, and that you cannot safely draw upon it to redeem legal-tender notes; or if you do so in an extremity, you may not only fail of redemption, but also fail of paying the interest and principal of the debt.

Secretary SHERMAN. I say that having \$62,000,000 of coin in our possession subject to demand liabilities (an aggregate sum), which by experience of nine years is rarely diminished to the amount of ten or fifteen per cent. (never falling below \$50,000,000, and sometimes going up as high as \$80,000,000), we can fairly count that, in any probable state of circumstances at least \$18,000,000 of that amount will be in the Treasury—not to be used (because I do not anticipate that our reserve will ever be drawn down to that), but that we may fairly count upon it in the Treasury.

Mr. EWING. This accumulation has been during the period when legal-tender notes were not redeemable, but you certainly cannot assume that, because you have had that accumulation of coin in the Treasury hereto-

fore when there was no redemption of legal-tender notes, you will continue to have it after redemption begins?

Secretary SHERMAN. I think we can assume if, when gold was not in circulation, there was a gold balance in the Treasury subject to demand without much variation, that, when all transactions are based on coin or paper redeemable in coin, this coin will remain in the Treasury. I believe that one of the first effects of resumption will be to increase the deposit of coin in the Treasury, because paper will be so much more convenient in all the transactions of life that paper will be used and the coin will be deposited with us. The subtreasury in New York will be, like the Bank of England, the place of deposit for all the coin of the country; and coin-certificates or greenbacks will be used for all current transactions, leaving the coin only to be drawn to meet the demands of foreign trade or the mutations and changes of supply and demand.

The CHAIRMAN. That would depend entirely upon the balance of trade?

Secretary SHERMAN. Very much.

The CHAIRMAN. That would be the key of the situation?

Secretary SHERMAN. Yes, sir.

Mr. EWING. You say, then, that at least \$3,000,000 of this \$6,818,677 for "called bonds and interest" might be used, if necessary, in the redemption of legal-tender notes?

Secretary SHERMAN. Practically. I would say that at least one-third of the amount, \$2,000,000, might be so used. The next item of \$4,909,705, "interest due and unpaid," stands in about the same position; in fact, it is more stable than the other.

Mr. EWING. You think that \$2,000,000 of that could be used?

Secretary SHERMAN. Yes, and perhaps more. Here (showing a debt statement) are the items of this "interest due and unpaid;" much of it is on old loans. Very often people do not collect their coupons, but leave the interest to accumulate, so that this interest item is even more stable than the other item. This is the "interest due and unpaid" on outstanding bonds; the other is "the interest and principal of called bonds."

Mr. EWING. I see that this "interest due and unpaid" is made up chiefly on bonds not yet due. It therefore cannot run along.

Secretary SHERMAN. That always follows. Suppose a man who owns \$10,000 of bonds neglects to cut off the coupons when they are due and lets them run for two or three months without collecting the interest, he is likely to do the same thing the next time.

Mr. EWING. But suppose it were understood that the Treasury was short of gold, would it not be likely that these overdue coupons would be run in for collection? In other words, could you safely use that fund to redeem legal-tender notes if you are pushed to that point?

Secretary SHERMAN. I do not think I would have occasion to use that fund, but I simply say (as I have said to the Senate committee) that while we can only surely count upon the actual coin on hand over and above our coin liabilities, we can yet, as business men, fairly understand that all of these demands, of which I have given the items, will not be presented at the same time, and that there will always be a balance of at least eighteen millions of them.

Mr. EWING. Do you count any of the coin-certificates in that category?

Secretary SHERMAN. Yes; I count 20 per cent. on coin-certificates.

Mr. EWING. You propose to issue 20 per cent. of new certificates beyond the amount of gold on hand?

Secretary SHERMAN. Yes, we could.

VING. Which you may use for the redemption of legal-tender

ary SHERMAN. I do not think I ever would, except in case of
, but the law authorizes it.

HILLIPS. Have not our revenues, both from internal revenue and
been decreasing of late?

ary SHERMAN. Yes, but we have more gold revenue than we
d expenditures.

HILLIPS. But have not the revenues been decreasing this year
red with the past year?

ary SHERMAN. Very largely this winter—especially in the
ax.

HILLIPS. And will not the recent law in regard to whisky still
decrease the revenue?

ary SHERMAN. That gets me into legislative grounds, and I
u had better settle that question among yourselves. There is
but that we will have a surplus revenue to the extent of a
of the sinking-fund. I do not think that a deficiency can equal
ng-fund.

HILLIPS. The sale of bonds has been stopped?

ary SHERMAN. Yes, but we can renew their sale if we pay a
ate of interest—if we issue $4\frac{1}{2}$ per cent. bonds. The time was
ce I have been in public life) that it would have been looked
very remarkable to sell bonds at less than $4\frac{1}{2}$ per cent., and we
ng very strong when we refuse to sell bonds at $4\frac{1}{2}$ per cent.
fore in the history of the government have bonds been issued
at par at so low a rate of interest as four per cent.

HILLIPS. You state that we have coin interest to pay to the
of ninety millions a year. Do you think it would be safe to un-
resumption with that burden resting upon us?

ary SHERMAN. Clearly. If we have the power to reissue legal-
tes at par, and the power to sell bonds, if necessary, we can
adly keep the notes at par. Redemption would not go far be-
l-tender notes would become scarce. I have stated that there
,000,000 of those legal-tender notes in our vaults, and there are
000,000 of them in the custody of the national banks, whose
t would be to keep them in their vaults.

HILLIPS. Would it not be more to their interest to have the

ary SHERMAN. These legal-tender notes are scattered all over
try.

HILLIPS. The interest of the banks to get the gold might prompt
send in these greenbacks for redemption.

ary SHERMAN. If you ask me whether 347 millions of legal-
tes can be all paid with a hundred millions of coin if they are
ted on the same day, I will say no; but, with 600 millions of
, you cannot purchase all the wheat and corn in the country in
day.

HILLIPS. Will not the mere act of resumption create a demand
which does not now exist?

ary SHERMAN. On the contrary, I think it will diminish the
for gold. What would they want gold for?

HILLIPS. These banks may wish to resume.

ary SHERMAN. They would rather resume in greenbacks.
osit their gold with us for safe-keeping.

Mr. FORT. Would there not be a temptation for the banks to exchange their greenbacks for gold?

Secretary SHERMAN. I do not see what object they would have in doing it.

Mr. FORT. They would do it merely for the premium.

Secretary SHERMAN. But there would not be any premium.

Mr. EWING. How much of this item of "interest due and unpaid," \$4,909,705, do you say may be counted as applicable to resumption?

Secretary SHERMAN. I would say about one-third of it.

Mr. EWING. That will be one million three hundred thousand.

Secretary SHERMAN. I never went into the division of this thing.

Mr. EWING. Then the item of "amount to credit of disbursing officers and outstanding checks," \$6,189,626. How much of that can be used for resumption?

Secretary SHERMAN. You may count on the whole of it if you choose; because it is really only money in the course of disbursement. We always have in the hands of disbursing officers large sums of money, and every disbursing officer has a balance on hand, and we can reduce those balances to a large extent, or cut them off entirely.

Mr. EWING. You include "outstanding checks"; do you think you could count the whole sum they represent as part of the funds that could be used?

Secretary SHERMAN. No, sir.

Mr. EWING. How much of it?

Secretary SHERMAN. I cannot tell; because I cannot tell how much of this item is for "outstanding checks" and how much to the credit of disbursing officers.

Mr. EWING. Exclusive of those items you would only have on your theory \$12,300,000 which you could add to the \$62,000,000.

Secretary SHERMAN. It is totally immaterial whether you count that in or count it out. As I said before, my reliance would be on the actual coin reserve—to be increased as I have stated. I do not propose to resume on seventy-one millions of coin.

Mr. EWING. It strikes me that the addition of seventeen or eighteen millions, drawn from these four items, is not safe in calculating the resources for resumption.

Secretary SHERMAN. I think that if you ask any banker in New York how much of that fund is available for resumption purposes, he will put it higher than I do.

Mr. EWING. As a banker?

Secretary SHERMAN. As long as we are issuing United States notes redeemable on demand, we are in the banking business.

Mr. EWING. And take the bankers' chances?

Secretary SHERMAN. We do it as a matter of course. We save the interest and have to do as bankers do.

Mr. EWING. You have got here under the item of "called bonds and interest" only \$6,818,677. Has there not been a call of \$10,000,000 since?

Secretary SHERMAN. No; there has been no call since. The last statement which you get to-day will include these "called bonds." The last call was made on the 6th of December, 1877, and matured on the 6th of March, 1878. It has been covered—about half of the amount—by the sale of bonds since the call issued.

Mr. EWING. Does this statement include all of the called bonds unpaid on the first of February, 1878?

Secretary SHERMAN. Yes, sir; all the called bonds that matured at that date.

Mr. FORT. What is the cost of selling bonds, including the expenses of the syndicate?

Secretary SHERMAN. One half of one per cent. is the limit under the law and our contract with the syndicate. The syndicate pays all the cost, including engraving, &c., out of the half of one per cent. Under the popular loan we pay one-fourth of one per cent. commission and pay the expenses out of the other fourth.

Mr. EWING. Going back to your statement before the Finance Committee, you add to the sixty-two millions of gold five millions nine hundred and seventy-two thousand dollars of fractional silver coin; do you regard that as available for resumption?

Secretary SHERMAN. Undoubtedly. We can issue that silver coin in exchange for United States notes to the full extent of the outstanding fractional currency; but, in my judgment, Congress ought to pass a law enlarging the limit of subsidiary silver to fifty million dollars.

Mr. EWING. Such an exchange would be a voluntary exchange on the part of the holder of legal-tender notes. I am not speaking of what you can buy with the subsidiary silver coin, but as to whether it is available for the *redemption* of legal-tender notes when presented.

Secretary SHERMAN. Yes; in my judgment that five millions of dollars will be all absorbed before the first of January.

Mr. EWING. But we are speaking of this as a redemption fund for the legal-tender notes after the first of January.

Secretary SHERMAN. If the five millions of subsidiary silver coin be paid out in exchange for United States notes or in current expenses, there will be left in the Treasury just so much the more current revenue which will be in gold.

Mr. EWING. But after resumption day you do not regard fractional silver as available for the purposes of redemption?

Secretary SHERMAN. Only to a small amount. We will still exchange silver coin for United States notes. But I think the whole amount now on hand will be paid out and gold will take its place.

Mr. EWING. The resumption law provides that the redemption of legal-tender notes shall be in sums of \$50 and upward, and fractional silver currency is not a legal tender above \$5. How, then, can it be counted upon as part of the *redemption* fund?

Secretary SHERMAN. Simply because it can be, and will be, probably, exchanged, as needed, for United States notes.

Mr. EWING. But after the first of January can it be used as part of the redemption fund?

Secretary SHERMAN. Yes, I think so; if it is used for the redemption of United States notes.

Mr. EWING. It is not a legal tender?

Secretary SHERMAN. That makes no difference. People come to us every day with United States notes for silver currency.

Mr. EWING. But I am speaking of using this fractional silver currency for the redemption contemplated by the law.

Secretary SHERMAN. I regard redemption as simply meaning paying, according to law, the United States notes in the coin which the holder has a right to demand. Any holder of a United States note may now come to the Treasury and ask to be paid in subsidiary silver coin. After the first of January we will pay him in silver dollars or in gold coin, just as he prefers. If we should redeem United States notes between now and the first of January to the extent of five millions of

dollars, we have in place of it the revenue which comes into Treasury—probably in gold.

Mr. EWING. My point is this: that fractional silver coin cannot be counted as a fund with which to redeem, after the first of January, United States notes, because it is not a legal tender for as much as \$50, and because, under the law, the presentation of legal-tender notes must be in sums of \$50 and upward.

Secretary SHERMAN. I do not think it material for us to discuss that question, because that five millions of subsidiary silver coin will be used in exchange for United States notes precisely as the silver dollars will be.

The CHAIRMAN. You regard it as an asset in the Treasury for all the purposes of the resumption bill?

Secretary SHERMAN. Certainly. If you really want to drive me into the position, I can simply say that we can convert subsidiary silver coin into silver dollars and then we can pay it out. It is money there in the Treasury available for the payment of United States notes.

Mr. EWING. Might you not as well put in United States notes as money available for redemption?

Secretary SHERMAN. No; I think not. This subsidiary currency would, in the ordinary course of business, be paid out in lieu of other revenue, and would be replaced by gold or silver.

Mr. EWING. In the statement made on the 26th of February to this committee by the Treasurer, he says: "I am informed by the Director of the Mint that the amount of unpaid deposits belonging to private individuals and held by the mints and assay-offices on January 1, 1878, amounted to \$2,114,000." Is that a proper deduction from the coin on hand?

Secretary SHERMAN. No, sir; that is a mint account.

Mr. EWING. But the amount in the mints is credited in your table.

Secretary SHERMAN. Only the amount belonging to the United States. There are private deposits of bullion under the law. That is a private deposit for trade-dollars. It is not a liability.

Mr. EWING. That is, the gold and silver are not counted in the statement of the amount in the mints?

Secretary SHERMAN. No, sir; that debit is for gold and silver deposited by private individuals for their own use.

Mr. EWING. In this statement you have got the available sum on hand at \$71,000,000, without any deduction for accruing interest?

Secretary SHERMAN. Yes, sir.

Mr. EWING. Now, the interest which is accruing on bonds is to be paid by gold which has been accruing from customs, *pari passu*?

Secretary SHERMAN. Yes, sir.

Mr. EWING. You count all the gold thus coming in from customs as applicable to resumption, and yet here is a charge upon it of \$17,277,000, up to the last of February, for accruing interest?

Secretary SHERMAN. The answer to that is that the interest is not due. If the interest is accruing, we have also revenue accruing. We have goods deposited with us and bonds issued for customs duties, but we do not count this as revenue, although the revenue is accruing with absolute certainty of payment, and will be paid within a year.

Mr. EWING. It is not fixed in amount?

Secretary SHERMAN. O, yes. The entries are liquidated and ascertained, and we hold the goods in bond; but we do not call that revenue, because it is not paid; and so it is with accruing interest. Interest, as it accrues, we count as such, but interest accruing will be met before it becomes due by revenue accruing.

Mr. EWING. But you have already credited your whole accruing revenue to your resumption fund?

Secretary SHERMAN. No; we have credited our accrued revenue. We do not in either case credit the accruing or prospective revenue or the sinking or prospective interest.

Mr. EWING. That is *retrospective* interest. It has accumulated to the extent of over seventeen millions to the date of your statement.

Secretary SHERMAN. It is no more fixed than the revenue which is accruing. This question of whether, in our liabilities, interest not yet due shall be counted has been variously discussed, and many take a different view of it; but I take it that the point is this: Can that interest demanded on the 1st of March or on the 1st of April? Certainly not. There is accruing interest from the 1st of January to the 1st of July; but it is not due until the 1st of July, and cannot be counted, therefore, as a demand liability until the 1st of July; and in the mean time our specie coin revenues come in, and a great deal more than cover the accruing interest.

Mr. EWING. But as a matter of fact, if you take out that seventeen millions of accruing interest and say that you put that apart as a resumption fund, you will be short of revenue to pay your interest and to create a sinking fund, as the law requires.

Secretary SHERMAN. If we are bound not only to get gold enough to pay what is due, but bound to get gold enough also to pay what may be due in six months, as a matter of course we can never resume.

Mr. EWING. I think it fair enough to say that whatever you have on hand now which has no ascertainable charge against it may be counted as a redemption fund for the greenbacks, trusting to future revenue to meet the future accruing interest and liabilities. But the difficulty about this statement is, that you have taken all the gold in hand now, and have not counted the accruing interest, which amounts to the very large sum of \$17,227,000 up to the date of your statement, while the law expressly sets apart the gold that has been accruing from the customs to meet the interest which has been accruing during the same time.

Secretary SHERMAN. No; but to meet the interest which has accrued.

Mr. EWING. The statement, I think, makes an incorrect impression on the public mind as to the amount of gold actually on hand for resumption purposes.

Secretary SHERMAN. But, according to your idea, you would have to accumulate seventeen millions of gold more to-day to meet an obligation that is not to fall due until July.

Mr. EWING. No; but my idea is that in your statement you should have deducted the \$17,227,000 of interest accruing up to date from the amount of gold on hand, because that gold is pledged and set apart by the law as a special fund to pay this interest, and is not applicable to redemption.

Secretary SHERMAN. But we have other gold as sure to come in as the specie of July will come, to meet that interest.

Mr. EWING. Yes; and you have other obligations to meet to the extent of all the gold hereafter coming in.

Secretary SHERMAN. We cannot be expected to pay a debt before it is due.

Mr. EWING. The receipts from customs for the fiscal year 1877 were \$9,956,000. The receipts this year will be less, as the imports have fallen off. The interest on the public debt last year was \$97,124,000. The interest this year will be a little less. The sinking-fund this year,

according to the statement of the Treasurer, is \$35,424,000, and the law sets apart customs as expressly to the sinking-fund as it does to the interest on the public debt. Section 3694 of the Revised Statutes provides that "the coin paid for duties on imported goods shall be set apart as a special fund, and shall be applied as follows: 1st. To the payment in coin of the interest on the bonds and notes of the United States. 2d. To the purchase or payment of one per centum of the entire debt of the United States, to be made within each fiscal year, which is to be set apart as a sinking-fund, and the interest of which shall be in like manner applied to the purchase or payment of the public debt. 3d. The residue to be paid into the Treasury."

Now, here is a special appropriation by law of the receipts from customs to the extent of the sinking-fund and of the interest on the debt, and these two items will this year, evidently, amount to the whole receipts from customs.

Secretary SHERMAN. I have already explained the operation of the sinking-fund. If we should undertake to do what you say we ought to do—set aside that \$35,000,000 and apply it for sinking-fund purposes—as a matter of course, there would be at once a deficiency in the payment of your own salaries, and of all the other expenses of the government. Now, this sinking-fund is a well-known technical fund, and has been known from the foundation of the government. It is really nothing but a pledge by Congress that it will provide revenues enough, not only to pay the expenses of the government, but to pay, in addition, the sinking-fund of one per cent. upon the debt. Therefore the sinking-fund has been always used simply as a representative of the balance of revenues over expenditures. The current expenditures are always taken from the amount of revenues, and the balance is applied to the sinking-fund. If there is a deficiency in the revenue, so that there is no balance to be applied to the sinking-fund, of course that is the fault of Congress in failing to provide revenues sufficient to cover the appropriations, and the amount to be applied to the sinking-fund. That has been the established custom of this and other countries.

Mr. EWING. I am not speaking about the custom, but the law. The law says that the coin paid for duties shall be set apart as a special fund, first, for the payment of coin-interest on the public debt; and, second, for the purchase of one per cent. of the debt each year, and for payment of interest upon the accumulated sinking-fund. Now, I do not see how any custom or usage of the department, or usage of other countries, can change the obligation of the statute.

Secretary SHERMAN. Let me look at the resumption act, if you have it there, and I will show you that not only does it do that in express terms, but it has been held to do it by every administration. (Referring to the law.) This clause has always been held to apply to the sinking-fund in the form of surplus revenue: "And to enable the Secretary of the Treasury to prepare and provide for the redemption by this act authorized and required, he is authorized to use any surplus revenue from time to time in the Treasury not otherwise appropriated, and to sell, issue, and dispose of, at not less than par in coin, either of the description of bonds, &c." This passed January 14, 1875. It has been held, under this appropriation made in 1875, of the surplus revenue, that the excess of revenue over expenditures could be applied under it without regard to the sinking-fund; and that has been the construction put upon these words.

Mr. EWING. That is, by yourself, and Mr. Morrill, and Mr. Bristow, the only three Secretaries of the Treasury who administered that law.

Secretary SHERMAN. Yes, sir. That appropriation of surplus revenue has been held *pro tanto* to be an amendment of the act of 1870.

Mr. EWING. The words are "any surplus revenue from time to time in the Treasury not otherwise appropriated." Now in addition to section 3694 of the Revised Statutes which I have cited, there are, in sections 3688 and 3689, under the head of permanent annual appropriations, appropriations of the sums required for the sinking-fund. These provisions of law setting apart the customs as a special fund and permanently appropriating them to the sinking-fund, certainly are not affected by this provision of the resumption law, appropriating "any money in the Treasury not otherwise appropriated."

Secretary SHERMAN. I think it is; the words "surplus revenue" are not in it. That has been always construed to mean that sum of money which has been left after paying current expenses.

Mr. EWING. You mean always since the passage of the resumption law?

Secretary SHERMAN. I never saw that questioned. At all events it was so held, and acted upon when Mr. Bristow failed to make good the \$16,305,421 of the sinking fund.

Mr. EWING. It was so held by the Secretary?

Secretary SHERMAN. Yes, sir; and was never questioned by Congress.

Mr. EWING. The subject may not have been looked into.

Secretary SHERMAN. That may be. As a matter of course, if Congress was to say that we should invest the sinking fund prior to and as against all appropriations made by Congress, it would leave a deficiency at once.

Mr. EWING. Congress has said it.

Secretary SHERMAN. I do not think that the fair construction. Still, that is a question for Congress and not for the Secretary.

Mr. EWING. The section from the Revised Statutes, which I have read, sets apart the duties on imported goods as a special fund for those two objects. A certain and permanent appropriation of the customs as a special fund, cannot reasonably be held to have been repealed or modified by this clause, which is usual to all laws—"out of any money in the Treasury not otherwise appropriated"—that is a common phrase in all statutes making appropriations.

Secretary SHERMAN. Look at the practical question. Would you have had Secretary Bristow, who met this difficulty in the first instance, refuse to pay the ordinary drafts for the expenses of the government to the extent of \$16,000,000?

Mr. EWING. I would have had him execute the law, and most certainly and most especially I would not consent to the proposition that the resumption act overrides all the laws that preceded it, nor that the importance of resumption is so exigent and overwhelming, as that the permanent appropriations may be disregarded by the Executive in order to carry it into effect.

Secretary SHERMAN. All this you speak of occurred before the resumption law was passed. This very question about the application of the sinking-fund occurred June 30, 1874, and the resumption act was passed in 1875.

Mr. EWING. You are speaking of Mr. Bristow's interpretation?

Secretary SHERMAN. And Mr. Morrill's.

Mr. EWING. Not Mr. Morrill's. The resumption law passed before Mr. Morrill became Secretary.

Secretary SHERMAN. Yes; but, at all events, that question was de-

according to the statement of the Treasurer, is \$35,424,000, and the law sets apart customs as expressly to the sinking-fund as it does to the interest on the public debt. Section 3694 of the Revised Statutes provides that "the coin paid for duties on imported goods shall be set apart as a special fund, and shall be applied as follows: 1st. To the payment in coin of the interest on the bonds and notes of the United States. 2d. ~~For the purchase or payment of one per centum of the entire debt of~~ eral power to provide ~~to be made~~ within each fiscal year, which is to be set ~~ury not otherwise appropriated~~ interest of which shall be in like ~~priation of receipts from customs as a spent of the public debt.~~ 3d. the public debt and to keep up the sinking-fund.

Secretary SHERMAN. The answer to that is, that receipts from customs expressly authorizes the use of the surplus revenue and ~~st on the debt,~~ bonds to carry the resumption act into effect; and you will see whole resumption act has been carried into effect thus far by the sale of ~~u~~ even in the purchase of the silver bullion in the first instance. Mr. Bristow sold \$15,000,000 of five per cent. bonds and used the proceeds of those bonds in the purchase of silver bullion, and so all that I did under the resumption act was done by the sale of bonds.

Mr. EWING. There has been this year applied to the sinking fund \$3,000,000 of fractional currency?

Secretary SHERMAN. Yes; and I do not know how many United States notes. We have redeemed largely United States notes. Last month we redeemed \$700,000. All that goes into the sinking fund.

Mr. EWING. Why?

Secretary SHERMAN. Because it is a part of the debt which is redeemed under the operation of law.

Mr. EWING. The sinking-fund section (3694), which I have cited, contemplates the purchase of bonds.

Secretary SHERMAN. Not necessarily.

Mr. EWING. I think it does.

Secretary SHERMAN. United States notes are a portion of the public debt.

Mr. EWING. I think that the sinking-fund act clearly contemplates the purchase of bonds only. The expression "one per cent. of the entire debt," simply means the mode of ascertaining the amount to be purchased. It further provides, "and interest on the debt so purchased."

Secretary SHERMAN. That is the computation of interest on the amount of debt as paid.

Mr. EWING. How do you compute interest on legal-tender notes?

Secretary SHERMAN. Probably at the current rate at which bonds are sold. I would not be able to tell you the exact rate last year, but the rule, I think, has been to compute the interest at the rate at which bonds were sold. Here is the computation. [Referring to it.] Page 18, Finance Report. I see that it is computed at 6 per cent.

Mr. EWING. Was there no redemption of bonds in 1876 for the sinking fund?

Secretary SHERMAN. Yes, a small amount.

Mr. EWING. This resumption law does not expressly provide that the legal-tender notes redeemed under it (80 per cent. of the issue of bank notes) shall be destroyed. They may be hereafter authorized to be re-issued.

Secretary SHERMAN. These words in the act "until the amount outstanding shall be \$300,000,000 of such legal-tender notes and no more," were held to mean a permanent retirement of notes in excess of that

Secretary SHERMAN. Yes, sir. That appropriation of surplus revenue has been held *pro tanto* to be an amendment of the act of 1870.

Mr. EWING. The words are "any surplus revenue from time to time the Treasury not otherwise appropriated." Now in addition to section 394 of the Revised Statutes which I have cited, there are, in sections 388 and 3689, under the head of permanent annual appropriations, appropriations of the sums required for the sinking-fund. These provisions of law setting apart the customs as a special fund for 1877, a deficiency of \$1,143,000; for 1876 a deficiency of \$1,143,000; for 1875 a deficiency of \$1,143,000; and for 1874 a deficiency of \$16,305,000, making a total deficiency of \$32,670,000.

Secretary SHERMAN. I suppose that is correct. That is the way the Treasury not otherwise appropriated.

Mr. EWING. If the gold received from the revenue had been applied, this permanent appropriation requires, your stock of gold would be pretty largely reduced.

Secretary SHERMAN. Yes, and if the amount of money which had been applied to the sinking fund before the panic of 1873, in excess of the amount required by law, had been set apart for a resumption fund, we would have been at specie payments long ago, and that is what ought to have been done, in my judgment; but there is no use in "crying over spilled milk."

Mr. EWING. I understand that you feel at liberty under the usage to neglect any application to the sinking fund at all, if the purposes of the resumption law require it.

Secretary SHERMAN. No; I feel bound to do this, to apply the actual surplus revenue to the sinking fund; and that has been done. But when there is not sufficient surplus revenue to pay the sinking-fund would let the deficit fall on the sinking fund. That is the way we have done.

Mr. EWING. And it has made a deficit in four years of \$32,000,000.

Secretary SHERMAN. That is, the Government of the United States has failed to keep up the sinking-fund to that amount for the last four years.

Mr. EWING. And you do not feel required to apply any gold received from customs to the purchase of bonds for the sinking-fund?

Secretary SHERMAN. Except to the extent of the surplus revenue.

Mr. EWING. Even then you feel justified in paying the sinking fund on legal-tenders instead of in bonds.

Secretary SHERMAN. Yes; that is the construction put upon the law. We have a right to count the legal tenders and fractional currency returned under the operations of the law as so much debt paid. We do not retire any legal-tenders under any circumstances except in consequence of the issue of the national bank notes; but when legal-tender notes are retired in that way, we count them as so much debt paid and we credit them to the sinking fund.

Mr. EWING. And your construction of the statute is that the debt canceled must not necessarily be a bonded debt.

Secretary SHERMAN. That is the construction.

Mr. EWING. But that it may be a debt bearing no interest?

Secretary SHERMAN. Yes, sir.

Mr. EWING. And the Secretary of the Treasury is at liberty to fix the rate of interest on it?

Secretary SHERMAN. No; I do not wish to answer that in the affir-

mative, because my impression was that the interest was counted at the current rate. I have never had occasion yet to fix the interest.

Mr. EWING. In your statement to the Finance Committee of the Senate, as to the preparation the national banks have made for resumption, you have given the banks' statement showing the amount of gold held by them on December 28, 1877, as \$5,506,556.

Secretary SHERMAN. That is the amount held by the New York City banks alone.

Mr. EWING. No; that is the amount held by all the national banks. All the national banks of the United States held \$5,506,000 of gold coin on the 28th of December last.

Secretary SHERMAN. The banks have gold-certificates, however. They own that gold in the Treasury and we do not count it as ours at all.

Mr. EWING. Is it counted in the \$125,000,000?

Secretary SHERMAN. Yes. The amount of the specie of the banks, including gold-certificates, was, on the 28th of December, 1877, \$32,907,750. That was the amount of coin and gold-certificates held by the national banks; but that amount is largely increased now. (See Appendix No. 6.)

Mr. EWING. Outside of the Treasury there is, it appears, \$5,506,556 of gold in the banks. Do you think the actual gold coin in the banks has largely increased since then?

Secretary SHERMAN. I do not know about that; I think it has. There is an increase in the commercial cities; but I do not like to speak positively upon that point, because in a day or two you will have the actual returns from all those banks.

Mr. EWING. Adding the certificates held by the banks, \$23,000,000, to the \$5,000,000 of gold coin, you get the extent of their preparation for resumption.

Secretary SHERMAN. Yes, sir.

Mr. EWING. Unless you count the fractional silver coin as a redemption fund, which it seems to me it is not.

Secretary SHERMAN. The amount of gold held by the New York banks alone, including gold certificates, is \$5,000,000 more to-day than the whole gold and silver coin in all the banks of the United States in December last.

Mr. EWING. Including gold-certificates?

Secretary SHERMAN. Yes, including certificates. The amount is \$37,432,000, or \$5,000,000 more than the whole amount in all the banks in the United States in December last. Now, as to how much gold has increased in the other banks I cannot say, but we will have the returns in a day or two, and perhaps in time to attach to this statement.

Mr. EWING. Probably \$40,000,000 of gold coin and certificates together will represent the preparation of the national banks for resumption.

Secretary SHERMAN. It is more than that. The increase in the New York national banks alone from December to March was \$13,000,000. All the great body of these coin-certificates is held by banks and bankers.

Mr. EWING. Do you think the aggregate of gold coin and certificates in the hands of the national banks would run up to \$45,000,000?

Secretary SHERMAN. I should think so.

Mr. EWING. That \$45,000,000, assumed to be held by the national banks and whatever amount you have in the Treasury belonging to the United States applicable to resumption, represents the whole preparation for the redemption of the \$647,000,000 of paper money?

Secretary SHERMAN. So far as the national banks are concerned they have enormous resources. They are only bound to redeem their notes in United States notes, of which they have \$70,000,000 on hand; they have also cash resources of various kinds as shown by this table, and very large ones. They have surplus profits to the amount of \$173,000,000 over and above their capital stock. They have resources which will enable them to redeem in United States notes with great facility.

Mr. EWING. Their surplus profits are invested largely in buildings.

Secretary SHERMAN. They have invested largely in United States bonds. They have United States bonds on hand to the amount of nearly four hundred millions of dollars. They have \$343,000,000 to secure their currency. Then they have bonds to secure deposits; and they have other United States bonds on hand; and they have very large cash funds. As a matter of course they have also very large loans and discounts, and they are liable to their depositors to a very large sum. But they have ample cash resources.

Mr. EWING. But I am speaking of the amount of gold and silver they have for resumption.

Secretary SHERMAN. The banks do not have to redeem any notes in gold; they redeem in United States notes.

Mr. EWING. After all, the problem is to float \$647,000,000 of paper money redeemable in coin.

Secretary SHERMAN. Yes.

Mr. EWING. Now, is not the drain upon the government practically the same to the extent of the aggregate of the greenback circulation (\$348,000,000), as though the entire circulation were money?

Secretary SHERMAN. I say no, emphatically; and all experience in other systems of banks would also say no. The truth is, the Government of the United States has nothing to do with the banks any more than it has to do with the other corporations and merchants of the country. The banks are as separate and distinct corporations as they can possibly be made. The United States have got to redeem \$348,000,000 of legal tender notes, or to make them at par with coin. You recollect what I said before, that we have seventy millions undisputed money in coin.

Mr. EWING. I beg leave to say that I regard the statement as incorrect.

Secretary SHERMAN. Let me go on. We have seventy millions of coin and then we have seventy millions of currency in our possession, some of which at least belongs to us, and none of which is likely to be called for, unless it may be a portion of the certificates of deposit, amounting together to \$26,000,000. Then we have these obligations on the part of the banks, which are not fictitious persons but strong corporations. They hold at least seventy millions in our notes and forty millions of gold or gold certificates in their vaults as a reserve at all times. Their notes are absolutely secured by United States bonds, so that if you take that into consideration it is very easy for us to resume. And then you must remember that the body of our notes is in circulation all over this broad country, scattered everywhere from one end of the land to the other. Now, is it likely that these notes are going to be rushed in for payment of them in coin?

Mr. EWING. I think it is.

Secretary SHERMAN. I say no; you have no confidence.

Mr. EWING. I have met very few who have confidence.

Secretary SHERMAN. I say that if you strengthen this reserve from seventy millions to from one hundred and twenty millions to one hun-

meet that; and yet you think that our national banks are in first-rate condition as compared with the Bank of England.

Secretary SHERMAN. You do not draw the distinction between our national banks and the Bank of England. The Bank of England occupies somewhat the position of our national government. But compare our situation with the Bank of England, and we are better off to-day.

Mr. EWING. You mean the Government of the United States?

Secretary SHERMAN. Yes. Let me give you the reason why. We have on hand one hundred and thirty-four millions of gold and silver; we have got seventy millions of paper money; which makes two hundred and four millions cash on hand in our Treasury.

Mr. EWING. You include money belonging to other people?

Secretary SHERMAN. So do you in your statement of the Bank of England.

Mr. EWING. This gold belongs to the bank.

Secretary SHERMAN. Take the full amount of the demand liabilities upon us and add them together, and then take the money which we have on hand, and we are in as good a condition as the Bank of England.

Mr. EWING. You are counting in the Treasury gold and legal-tenders which do not belong to the Treasury.

Secretary SHERMAN. No, that is a mistake.

Mr. EWING. The law expressly sets apart the gold on which certificates are issued as a special fund to redeem the certificates, so that it is not applicable to the redemption of legal-tender notes.

Secretary SHERMAN. But take the demand liabilities upon the United States and add them all together and then take all the money that we have got in the Treasury, and, I repeat, we are in a better condition than the Bank of England is.

Mr. BELL. Then your idea is that the question of sustaining resumption would depend, to a greater or less extent, on the amount of preparation on the day of resumption?

Secretary SHERMAN. Yes, sir; and after. I think we ought to be so strong that we can meet any reasonable demand made upon us.

Mr. EWING. The Bank of England has on hand in gold coin and bullion \$120,000,000, and in the banking department \$59,000,000 of notes.

Secretary SHERMAN. According to that the Bank of England has got \$175,000,000 with which to pay \$266,000,000. The total amount of demand liabilities on us is \$407,000,000, and the total amount of coin and currency on hand \$208,000,000. Add to that such an additional reserve as I propose to accumulate of \$50,000,000, and it would make it \$258,000,000 to meet \$407,000,000, which is just about the proportion, according to the figures you give me, of \$179,000,000, held by the Bank of England to meet its liabilities of \$266,000,000. The disparity is not so great.

Mr. EWING. That is a statement of very little value, because you include gold and currency, which do not belong to us, and you lump it all in together; but if you put down your state of coin preparation for the obligations, which would be a coin demand after the 1st of January, 1879, you do not stand as favorably as the Bank of England.

Secretary SHERMAN. Considering that we have no demand liabilities except legal-tender notes, which have a pretty general circulation. I think that our condition on these figures is better than that of the Bank of England. Its liabilities are demand liabilities.

Mr. EWING. Will the reissue of legal-tender notes help you to maintain resumption?

Secretary SHERMAN. Yes; to have the power to reissue them; for if the greenbacks can be retained at par, and we can reissue them, it will save us from issuing bonds. We would only reissue greenbacks in exchange for coin or its equivalent. We would reissue them in payment of coin interest, but, as a matter of course, we could not reissue them unless they were equal to coin, just as the Bank of England would not issue a single note unless it was worth gold. We go on the supposition that the legal-tenders are on par with gold.

Mr. EWING. You have just now indicated a possibility of their not being at par with gold.

Secretary SHERMAN. No, sir.

Mr. EWING. You threw in the "if."

Secretary SHERMAN. The very moment you diminish the supply of greenbacks you bring them up to par again.

Mr. EWING. And your idea of reissuing greenbacks would be only to reissue them in exchange for coin?

Secretary SHERMAN. Or as a substitute for coin—to reissue them when they are at par with coin.

Mr. EWING. And you would reissue them for the purpose of increasing your coin supply?

Secretary SHERMAN. Yes, sir; practically. The public would be very willing to take the greenbacks if they were at par with coin, and as a matter of course they would be substitutes for coin.

The CHAIRMAN. Do you not think we could make them so if they were made receivable for four per cent. bonds?

Secretary SHERMAN. That is to be tried. I want to sell four per cent. bonds if I can. Whether, on actual experiment, four per cent. interest is enough in this country to induce the sale of bonds, Mr. Low and Mr. Chittenden can judge better than I.

Adjourned to Thursday morning, April 4, 1878, at half past ten o'clock.

THURSDAY, April 4, 1878.

Present, Mr. Buckner, chairman, Messrs. Ewing, Hardenbergh, Hartzell, Bell, Eames, Chittenden, Fort, and Phillips; the Hon. John Sherman, Secretary of the Treasury.

Mr. EWING. I ask your attention to a comparison of the condition of the Treasury for resumption with the condition of the Bank of England in 1819 and now, with the Bank of France this year, and with the banks of the United States in 1857 and 1861.

Secretary SHERMAN. When I said the other day that I thought the condition of the Treasury on the 1st of January next would be as good as the Bank of England, I had not then before me the actual figures or tables, but only spoke from a general knowledge of the facts. Since then I have given the matter a good deal of attention, and I have got some carefully-prepared tables, founded upon late information, giving the exact comparison of the condition of the Bank of England, the Bank of France, the Bank of Germany, the Bank of Belgium, the national banks, and the Treasury. These tables will show that pretty accurately.

[Secretary Sherman handed the tables to the committee, and they are printed in the appendix. The latest statement of the condition of these banks is found in the London Economist of February 23, 1878, and the older statements are found in McCulloch's Dictionary, a standard authority on the subject, on page 117.]

Mr. EWING. I see you have given the figures of the Bank of France in pounds sterling.

Secretary SHERMAN. Yes; they are reduced to pounds sterling. I ought to say, explanatory of the statement which I have submitted, that there are two modes of making up the accounts of the Bank of England; one by dividing them into the bank department and the issue department, while the other is the consolidated statement.

Mr. EWING. How does this statement give it?

Secretary SHERMAN. It gives the consolidated statement—what is called the old form. The consolidated statement is but a combination of the two departments.

Mr. EWING. Still the consolidated statement charges to the bank the reserve on hand, does it not?

Secretary SHERMAN. If there is any material difference; perhaps I had better put it in both forms, because the Economist gives it in both ways. I will give here the table from the Economist:

ISSUE DEPARTMENT.			
Notes issued	£38,698,020	Government debt.....	£11,015,100
		Other securities.....	3,984,900
		Gold coin and bullion.....	23,698,020
	38,698,020		38,698,020
BANKING DEPARTMENT.			
Proprietors' capital.....	£14,553,000	Government securities.....	£15,203,201
Rest.....	3,414,161	Other securities.....	17,672,339
Public deposits, including ex-		Notes.....	12,368,965
chequer, savings banks,		Gold and silver coin.....	1,032,773
commissioners of national			
debt, and dividend ac-	6,524,776		
counts.....	21,529,721		
Other deposits.....	255,619		
Seven-day and other bills...			
	46,277,277		46,277,277

Dated February 21, 1878.

F. MAY,
Chief Cashier.

THE OLD FORM.

The above bank-accounts would, if made out in the old form, present the following results:

Liabilities.		Assets.	
Circulation (including bank		Securities.....	£33,322,539
post-bills).....	£26,584,674	Gold and bullion	24,730,793
Public deposits	6,524,776		
Private deposits.....	21,529,721		
	54,639,171		58,053,332

The balance of assets above liabilities being £3,414,161, as stated in the above account under the head "Rest."

Now, in regard to the United States, I have a statement here showing the apparent and probable condition of the United States Treasury on April 1, 1878, and on the 1st of January next. The only difference in these statements is that I add to the present condition of the Treasury the proposed accumulation of fifty millions of coin and a substantial payment before that of the fractional currency. I think it will be practically redeemed before that time. The actual results show the amount of demand liabilities on April 1, 1878, against the United States as

\$460,527,374, and they show the demand resources, including coin and currency, at \$174,324,459, making the percentage of resources to liabilities 37. To show the probable condition of the Treasury on the first of January, 1879, I add the fifty millions of coin and I take off the fractional currency, and deduct estimated United States notes lost and destroyed, leaving the other items about the same. That would show an aggregate of probable liabilities of \$435,098,400 and probable cash resources of \$224,324,459, making 51 per cent. of the demand liabilities. The ratio of the Bank of England, at this time, is 45 per cent.; the ratio of the Bank of France is 65 per cent.; the ratio of the Bank of Germany is 58 per cent.; and the ratio of the Bank of Belgium is 25 per cent., all based upon the same figures. (See Appendices 7 and 8.)

Mr. EWING. Does not this statement charge to the Bank of England the unissued notes?

Secretary SHERMAN. No, sir; not at all. The notes on hand in the banking department are deducted from the notes issued, so that the circulation in the consolidated statement shows an aggregate of £26,584,674.

Mr. EWING. Does that include the amount of notes unissued?

Secretary SHERMAN. No, sir; the total amount of circulation, as shown by the issue department, is £38,698,020; but there is in the banking department some twelve millions of pounds. This statement deducts the notes on hand from the notes issued (which is proper), and gives the actual notes to be provided for at £26,584,674.

Mr. EWING. Is there not some error about that?

Secretary SHERMAN. Neither you nor I want to fall into any error about this; but my understanding is, that the whole amount of notes of the Bank of England issued by the issue department is £38,698,020; but the banking department has on hand £12,363,965, and in stating the amount of notes outstanding, they deduct that twelve millions from the thirty-eight millions, which ought to be done, because the twelve millions really belong to the Bank of England. Now, in stating ours we have done it differently. We have given the full aggregate without deducting the notes on hand, so that the account is more favorable to the Bank of England as thus stated than it is to us. If I am mistaken about this, I shall be very glad indeed to have you point it out, but I think I am not, because I have looked very carefully into it.

In regard to the national banks, here are some statements which are interesting to me and which were prepared in consequence of our interview the other day. I think they will be interesting to the committee. The first paper contains the circulation and deposits and specie of the State banks in 1857 and 1860, as compiled from statements in the finance report of 1876, pages 204 and 205. The next paper contains the circulation, deposits, and cash reserve of the national banks on the 28th day of December, 1877. The latest statement of the banks I cannot give you, because it is not yet made up. It was made in March last, and the returns are not fully in. This statement shows a general demand liability of \$960,816,052, and it shows a total cash reserve of \$145,019,338. The ratio of legal-tender funds to the amount of circulation is 48.4 per cent. The ratio of legal-tender funds to circulation and deposits is 15.1 per cent. The next paper exhibits the circulation, deposits, and cash resources of the national banks on December 28, 1877, on a different basis, counting the amount of national bonds owned by the banks and deposited with the Treasurer as money. This other table excludes them entirely. This gives the same figures, but counting the bonds at their nominal par as money, it shows this result: Total amount of liabilities \$960,816,052, and total amount resources

(including four hundred and five millions of bonds) at \$550,201,055. The ratio of cash resources to circulation is 183 per cent. and the ratio of cash resources to circulation and deposits is 57 per cent. (See Appendix No. 6.)

Mr. EWING. Do you think that the bonds can be counted as cash?

Secretary SHERMAN. Yes; the bonds are all worth par or above in gold.

The CHAIRMAN. The other cash held by the banks is legal-tender notes?

Secretary SHERMAN. Yes, and coin.

Mr. EWING. Do you think it safe to count these bonds as gold? Is it possible to convert them into gold?

Secretary SHERMAN. O, yes.

Mr. EWING. That is, the banks can sell over four hundred millions of bonds and get gold for them?

Secretary SHERMAN. Probably not to-day or in a moment.

Mr. EWING. At any time can the national banks accumulate four hundred millions of gold by sale of their bonds?

Secretary SHERMAN. Not in a day.

Mr. EWING. Or in a year?

Secretary SHERMAN. O, yes. I sold last year (within the year) of 4½ per cent. and 4 per cent. bonds two hundred and seventy-five million dollars.

Mr. EWING. How much gold did you get for them?

Secretary SHERMAN. Sixty or seventy millions of gold and the balance I paid for six per cent. bonds.

Mr. EWING. They were practically funded in other bonds. But I want to know now if you make up that table on the theory that these four hundred millions of bonds can be turned into gold for the purpose of resumption?

Secretary SHERMAN. I make up my statement on the theory that four hundred millions of bonds will more than pay four hundred millions of bank-notes at any time, such bonds as the banks hold, and that, if that is not so, we are bankrupt. I just give you this statement. Here also is an abstract of reports made to the Comptroller of the Currency, because these tables are taken from it. (See appendix No. 6.)

Mr. EWING. Here is a consolidated statement which I have prepared, and to which I wish to call your attention.

	standing.	Deposits.	Issuance and deposits.	Non in the banks.	Specie in the country.	Authority.
Bank of England, December, 1877.....	\$133,950,000	\$131,000,000	\$865,550,000	\$190,150,000	\$773,000,000	London Economist's "Commercial History and Review of 1877." The specie deposits of the English country banks are unknown. The estimate as to the coin and bullion in Great Britain in 1878 was made by the deputy master of the British mint. (See Spofford's American Almanac, 386.)
English country banks, 1877.....	25,000,000					
Scotch and Irish banks.....	67,500,000					
Bank of England, 1818.....	130,000,000	32,000,000	162,000,000			Tooke's History of Prices, and Muehel's Inquiry into the Effects of Bank of England Issues. Palgrave's Notes on Banking says the amount of coin in England in 1819 was £10,000,000. The Bank paid out in 1821-22 £12,000,000, and increased its stock from £23,400,000 in August, 1819, to £10,000,000 in August, 1822. Probable stock, \$150,000,000.
English country banks, 1818.....	102,000,000	18,000,000	105,925,000		50,000,000	
Bank of England, 1822.....	87,225,000				150,000,000	
English country banks, 1822.....	40,350,000					
American banks, 1837.....	149,185,800	127,307,000	276,532,800	37,915,300	60,000,000	Report of Comptroller of the Currency, 1876. Mr. Webster's Speeches on the Currency, 1838. The excess of specie imported over that exported, between 1837 and 1843, was \$30,000,000.
American banks, 1843.....	58,563,608	56,168,000	114,731,608	33,515,800	90,000,000	
American banks, 1857.....	914,351,000	230,350,000	444,701,000	58,349,000	240,000,000	
American banks, 1859.....	155,808,000	185,932,000	341,140,000	74,412,800		Report of Comptroller of the Currency, 1876. Amasa Walker.
American banks, 1861.....	302,000,000	257,289,000	459,829,000	87,674,000	\$35,000,000	
Bank of France, December, 1877.....	487,100,000	134,900,000	621,300,000	417,400,000	1,400,000,000	
Imperial Bank of Germany, December, 1877.....	161,650,000	3,900,000	226,000,000	130,850,000	700,000,000	London Economist. Victor Bonnet's "Two Essays." French custom-house returns.
American banks and Treasury, 1878.....	643,080,000	614,822,000	1,257,822,000	1,147,000,000	261,950,000	

* In this total of \$230,000,000 are not included the deposits either of the Imperial or the other issuing banks of the Empire, of which latter there are thirty-two, but the average aggregate note circulation of all the banks, Imperial and local.

† This aggregate of \$147,000,000 includes the coin held by the banks and bankers east of the Rocky Mountains, but does not include the subsidiary silver in the bank.

Secretary SHERMAN [examining the paper]. Your currency outstanding of the Bank of England is about what I have got it, about twenty-six million pounds; but yours is made up only to December, 1877, and mine is made up to February. I have no doubt that you have got this correct. There is no trouble about these figures, although we may sometimes look at them a little differently.

Mr. EWING. I cannot get the deposits in the English country banks.

Secretary SHERMAN. The great liability of the Bank of England is the deposits. I have no doubt that this table is substantially taken from the same authority, and I should like to have it go into the report of the conference as yours.

Mr. EWING. I wish you to state the probable amount of gold and silver, not including subsidiary coin, in the United States, outside of national banks and of the Treasury, and where it is or supposed to be.

Secretary SHERMAN. I am like you and like everybody else as to my knowledge on that subject. I have to depend upon the information from the Director of the Mint for it, and I can only give it to you as he gives it. This table here [handing it to the committee] gives that information from the best lights I can get, and I am inclined to think on the whole that it is about right, but I give it as the statement of the Director of the Mint, for I have no knowledge outside of that which I get from him and from the official documents.

[The paper, being an estimate of the amount of gold and silver bullion and coin in the United States on April 1, 1878, is published in the appendix No. 9, giving the total at \$199,490,753 of gold and \$65,500,000 of silver, making an aggregate in gold and silver of \$264,000,000.]

Secretary SHERMAN. That statement is not only concurred in by Dr. Linderman, who has mainly prepared it, but it has been carefully examined by other officers of the Treasury Department who are familiar with the matter.

Mr. EWING. Have you with you the report of the sinking fund?

Secretary SHERMAN. In my report I refer to the sinking fund. I say:

"In the last annual report my predecessor stated that had the resources of the Treasury during each fiscal year, commencing with 1862, been sufficient to make a literal compliance with the conditions of the sinking-fund law practicable, a total of \$433,848,215 would have been applied to that fund July 1, 1876; whereas the actual reduction of the debt, including accrued interest, less cash in the Treasury at that date, amounted to \$658,992,226," or \$220,954,459 in excess of the amount required by law to be provided for that fund. The details of the fund are given on pages 19-20 of my report.

Here is a table showing the excess or deficiency placed each year in the sinking fund since 1869:

Excess or deficiency placed each year in sinking fund, since 1869.

	Excess.	Deficiency.	Difference.
1869	\$672,020 23		
1870		\$744,711 80	
1871		257,474 32	
1872	2,823,891 46		
1873	1,451,588 95		
1874		16,305,421 96	
1875		5,986,039 62	
1876		1,143,769 82	
1877		9,225,146 63	
	4,947,500 64	33,672,564 15	
			\$28,725,063 51

Here is also a table showing the

monthly redemptions of legal-tenders and fractional currency during the current fiscal year, to be applied to the sinking fund.

	Legal-tenders.	Fractional currency.
July, 1877	\$670, 112	\$618, 801 45
August, 1877	1, 118, 058	612, 221 50
September, 1877	1, 061, 232	385, 479 12
October, 1877	2, 424, 040	434, 067 61
November, 1877	3, 150, 604	309, 554 14
December, 1877	1, 396, 512	278, 911 62
January, 1878	833, 352	292, 189 18
February, 1878	494, 400	281, 221 58
March, 1878	769, 312	240, 582 52
Total for 1878	11, 915, 620	3, 453, 021 72
Amount applied to the sinking fund during the fiscal year 1876	5, 999, 296	7, 062, 149 09
Amount applied to the sinking fund during the fiscal year 1877	10, 007, 952	14, 043, 458 05
Total	27, 922, 868	24, 558, 621 86

Now I want to show you also that the surplus revenue has not been equal to the sinking fund since 1874; but actually there has been more applied to the sinking fund than the surplus revenue during those years.

My report of December 3, 1877, will show the exact application of the amount. The amount of the surplus revenue is stated there at \$30,340,577, which was applied as follows:

For the redemption of United States notes, &c	\$10, 071, 617
For the redemption of fractional currency	14, 043, 458
For the redemption of 6 per cent. bonds for the sinking fund	447, 500
For increase of cash balance in the Treasury	5, 778, 002

30, 340, 577

That \$5,778,002 has never been applied.

Mr. EWING. Is that thirty millions the sum of the sinking fund?

Secretary SHERMAN. It is the sum of the surplus revenue, the total revenue over expenditures. So that that five millions has not been applied.

Mr. EWING. Where do you expect to get the additional fifty millions of gold by January 1, 1879?

Secretary SHERMAN. You must see that for me to state too closely what I propose to do might prevent me from doing what I expect to do, and therefore I will answer your question just as far as I think you will say I ought to go. I answer, mainly from the sale of bonds. Indeed, in the present condition of the revenue, we cannot expect much help from surplus revenue, except so far as that surplus revenue may be applied to the payment of greenbacks and to the redemption of fractional currency in aid of the sinking fund. To that extent, I think we can rely upon revenue enough to retire the United States notes redeemed under the resumption act; so that I would say that we can get the \$50,000,000 of gold additional by the sale of bonds. As to the kind of bonds that I would sell, and as to how I would sell them, &c., I ought not to say anything on that subject at present, because you ought to allow me as an executive officer, in the exercise of a very delicate discretion, free power to act as I think right at the moment, holding me responsible for my action afterward. As to what bonds I will sell, or where I will sell them, or how I will sell them, as that is a discretionary power left with the Secretary, I ought not to decide that now, but to decide it as the case arises.

Mr. EWING. I understood you to say in your interview with the Senate committee that you would have to rely upon the natural currents of trade to bring gold from abroad; that is, that there cannot be a large sale of bonds for coin abroad. Is it on a foreign sale that you are relying?

Secretary SHERMAN. Not at all, but on a sale at home. Perhaps I might as well say that if I can get two-thirds of this year's supply of gold and silver, it will amount to a good deal more than \$50,000,000, so that I do not have to go abroad for gold. If we can keep our own gold and silver from going abroad, it is more than I want.

The CHAIRMAN. For this \$50,000,000 additional I suppose you rely to some extent on the coinage of silver?

Secretary SHERMAN. To some extent; silver and gold we consider the same under the law.

Mr. EWING. Do you expect to pay out the silver dollar coined by you for current expenses, or only for coin liabilities, or to hoard it for resumption?

Secretary SHERMAN. I expect to pay it out now only in exchange for gold coin or for silver bullion. I am perfectly free to answer the question fully, because on that point, after consulting with many members of both houses, I have made up my mind what the law requires me to do. I propose to issue all the silver dollars that are demanded in exchange for gold coin. That has been going on to some extent; how far I cannot tell. Then I propose to use the silver in payment for silver bullion, which I can do at par in gold. I then propose to buy all the rest of the silver bullion which I need under the law with silver coin. As a matter of course, in the current course of business, some of that silver coin will go into circulation; how much, I do not know. The more, the better for us. But most of it, I take it, will be transferred to the Treasury for silver-certificates (that seems to be the idea of the bill), and those silver-certificates will come into the Treasury in payment of duties, and in that way, practically, the silver will belong to the government again.

Until silver is so abundant that it becomes the acknowledged basis of coin transactions, we cannot pay out that silver for the ordinary expenses of the government, because we have not enough to pay all the expenditures in silver; and if the silver is maintained at par with gold, and if the United States notes are below par with gold, we cannot discriminate in favor of any class of creditors; we would, therefore, have to hold silver at par with gold until we either have enough to pay everything with it or until the legal-tender notes are practically at par with gold and silver. That is a matter over which I have no more control than any other citizen. The silver dollars being receivable for duties—the law allowing them to be converted into certificates which are receivable for customs—I must receive them; and I could not prevent, if I tried, the silver from coming into the Treasury, either for silver certificates or payment of duties. As to when I shall commence paying them out for the current expenditures of the government or in payment of the interest or principal of the debt I cannot tell, because that would depend upon the equality of the three kinds of currency—gold, silver, and paper. I do not know whether I make myself understood, but that is the general idea I have in my mind. As a matter of course, it being a great discretionary power which you have invested in the office of Secretary of the Treasury, while I hold the office I will be very careful to exercise that power so as to carry out in good faith the law as Congress

as passed it, and that law, I think, contemplates that gold, silver, and paper shall be all brought on an equivalency.

Mr. EWING. Please state in detail the fund in the Treasury, other than gold and silver, applicable to resumption, and not covered by appropriations.

Secretary SHERMAN. It is very small. In round numbers, the \$70,000,000 of currency in the Treasury, which is less than the average amount so held for the last five years, is subject to the following, viz:

special fund for redemption of fractional currency.....	\$10,000,000
redemption of notes of national banks "failed," in "liquidation," and "reducing circulation"	12,000,000
five per cent. redemption fund	9,000,000
disbursing officers' balances	13,000,000
certificates of deposit issued under act June 8, 1872.....	26,000,000

So that, you may say, some of those items are ours. First, the item of \$10,000,000 for the redemption of fractional currency is ours; then the item of \$13,000,000, held by disbursing officers, is ours. The two redemption funds, one of national banks that have failed, and the other the present redemption of national-bank notes (together \$21,000,000), belong to the banks. We have to hold it, but the amount does not vary much. The certificates of deposit are less now than usual; they are only \$26,000,000. I think that answers your question fully. (See appendix No. 11 as to distribution of currency in the Treasury.)

Mr. EWING. No; what I desire to know is the funds in the Treasury other than gold and silver applicable to resumption, and not covered by appropriations.

Secretary SHERMAN. I do not count any of these as applicable to redemption.

Mr. EWING. You spoke the other day about \$70,000,000 in the Treasury with which to maintain resumption.

Mr. SHERMAN. Not to redeem notes. That \$70,000,000 is so much money that is almost constantly in our hands, and which cannot be presented for redemption. In that view only I spoke of it.

Mr. EWING. You did not speak of it, then, as a fund available for use in maintaining resumption?

Secretary SHERMAN. Oh, not at all; but as so much money which cannot be presented for redemption.

Mr. EWING. Cannot the \$26,000,000 of certificates of deposit be presented for redemption?

Secretary SHERMAN. Yes; that much can be; but it is not likely to be. We have got the money to pay for it if it is presented, but it is not likely to be.

Mr. EWING. That depends upon the preferences of the holders of the certificates.

Secretary SHERMAN. Still, I can tell you that it is a great comfort to have \$70,000,000, where it is not likely to be disturbed.

The CHAIRMAN. You are not liable to be called for it at any day?

Secretary SHERMAN. No, sir.

Mr. EWING. Then I understand that you have no right to use the special fund for the redemption of fractional currency?

Secretary SHERMAN. I do not think that we have any right to use any of that to redeem notes with, because we must redeem notes with coin; but, having this \$10,000,000 on hand, it is ours.

Mr. EWING. Is it subject to use?

Secretary SHERMAN. It is pledged in law to redeem the fractional currency which is really lost or destroyed. If I have \$1,000 belonging

to a man who died without heirs I am pretty likely to fall heir to it; and that is the case with this special fund for the redemption of fractional currency.

Mr. EWING. What I desire to know is, not what the Treasury might be authorized by additional legislation to do for the purpose of resumption, but the resources of the Treasury under existing laws in legal-tender notes or bank notes that may be used in facilitating resumption. What are the items?

Secretary SHERMAN. I think that practically none of this fractional-currency money and none of this money on hand is available for resumption in the sense in which you use the term. It only lessens the burden of resumption to have the notes where they are not likely to be presented.

Mr. EWING. You certainly spoke the other day of this \$70,000,000 as being a resource.

Secretary SHERMAN. I think it is, in this way: It is a resource, because it is like the notes of the Bank of England that are in the issue department. They do not have to be redeemed, or they are not likely to be redeemed, although they may have been issued. They diminish—to the extent that we hold these greenbacks in the Treasury—the amount of greenbacks outstanding among the people.

Mr. EWING. What has been the amount of sales of bonds per month since the last sales to the syndicate?

Secretary SHERMAN. Here it is:

Subscriptions received for four per cent. bonds per month since the last sales to syndicate

January, 1878.....	\$2,846,550
February, 1878.....	744,800
March, 1878.....	1,445,450
	<hr/> 5,036,800

Mr. EWING. Then it would take four or five months of sales of bonds to meet outstanding called bonds?

Secretary SHERMAN. We will probably sell enough this month to meet the outstanding called bonds. I think we will be able to sell enough to cover the deficiency in the last call. I hope within this month to make an arrangement to sell, unless Congress should repeal the resumption act. I would like Congress to determine that. If it is not repealed I would undoubtedly sell, during the present month, a good deal more bonds. I would sell all the bonds that I wanted to sell.

Mr. EWING. Four per cent. bonds?

Secretary SHERMAN. That I cannot say. I will do the best I can. I would rather sell four per cent. bonds, and hope to do so; but if I sell any other bonds they will be sold at a premium. I can sell them in the market at above par.

Mr. EWING. Do you think that under existing law the legal-tender notes redeemed will be subject to be paid out as other funds returned to the Treasury?

Secretary SHERMAN. I think that the law is very clear that the amount of legal-tender notes redeemed in excess of \$300,000,000 cannot be paid out. That is my construction of the law.

Mr. EWING. I am speaking of the others, and not those redeemed by the increase of bank currency.

Secretary SHERMAN. I do not think they can be issued. I think that those which are redeemed after the 1st of January, in excess of

00,000,000, cannot be reissued under existing laws. I am not certain out it. It is a mooted question; I would rather have your opinion on it than my own. It is a question which I would like very well to let Congress settle. The law proposes and provides for no mode of redeeming United States notes, except as bank-notes are issued (when eighty per cent. of United States notes must be redeemed). As the law provides for no other mode of canceling and destroying United States notes, it would seem to follow that all notes redeemed in any other way than under that law can be reissued, because the section of the Revised Statutes I mentioned provides that all notes which come into the Treasury may be reissued. But then, on the other hand, there is a provision in the resumption law which seems to contemplate that the amount outstanding on the 1st of January shall not exceed \$300,000,000. Mr. EWING. Provided the increase of bank currency is such as to bring down the legal-tender notes to \$300,000,000.

Secretary SHERMAN. There is the question. That question I have never determined in my own mind. It may be that all the notes now outstanding, and which are not redeemed under the provisions of the resumption act, can be reissued.

Mr. EWING. If any can be they all can be, I think.

Secretary SHERMAN. That is a question I have not determined in my own mind. I have no doubt of my power to reissue all below \$300,000,000. The law expressly provides for that; there is no provision of law which authorizes the reducing of them below \$300,000,000. But the resumption act does contemplate the reduction of United States notes to \$300,000,000.

Mr. EWING. Provided the bank currency is increased to such an extent as, under the provisions of that law, will reduce the greenback currency to \$300,000,000.

Secretary SHERMAN. I frankly say that I wish and hope that that is a proper construction; for I do not want to retire greenbacks except they are retired by the issue of bank notes, because I believe that that process will reduce them in time. I do not desire to hasten the process. But, as a matter of course, I would be very glad indeed if Congress would solve that question for me, just as I would like to have Congress solve the doubt which rests on the reissue of the \$300,000,000.

Mr. PHILLIPS. You cancel legal-tender notes to the extent of eighty per cent. of the amount of national bank notes issued, but when these national bank notes are retired (as they have been to a far greater extent than they have been reissued) there is no means in law of reissuing legal-tender notes to that extent.

Secretary SHERMAN. The authority to reissue extends to every dollar of United States notes outstanding. Any of the United States notes that come into the Treasury in the ordinary course of business, either redemption or in payment of taxes, I have the right to reissue.

Mr. PHILLIPS. That I understand.

Secretary SHERMAN. Then the question is whether that provision of the resumption act which contemplates the reduction of the volume of United States notes to \$300,000,000 is a mandate to the executive authority not to reissue them until they fall below that amount. That is a question which I ought not to answer, because I have not made up my mind upon it.

Mr. EWING. But as to the legal-tender notes under \$300,000,000, redeemed under the resumption law, you hold that you have the right to put them out the same as any other fund in the Treasury.

Secretary SHERMAN. I do.

Mr. EWING. You have no more discretion respecting their reissue than you have respecting the reissue of notes received from taxes?

Secretary SHERMAN. No, sir; I issue them according to the exigencies of the public service. Still, you know that that is a disputed proposition. I know a very able Senator, for whose opinion I have great respect, who thinks differently. I think, therefore, that that is a question which Congress ought to settle.

Mr. EWING. Did any law-officer of the government, or any Secretary of the Treasury, give a written opinion to the effect that the authority given to the Secretary of the Treasury by the resumption law to use any surplus revenue from time to time in the Treasury, not otherwise appropriated, to prepare and provide for the resumption of legal-tenders, affects in any way the obligation imposed by that section of the Revised Statutes which declares that the coin paid for customs shall be set apart as a special fund, and applied, first, to the interest on the public debt, and, second to the sinking fund?

Secretary SHERMAN. No; I think that no law-officer of the government, or no Secretary of the Treasury, has yet authoritatively decided that question, as you put it now. The question which the Secretary of the Treasury did decide was, that United States notes and fractional notes, being a part of the public debt, may be included in the sinking-fund; and practically we have paid the full amount of the surplus revenue in that way and applied it to the sinking fund until last year. In one year, in Mr. Bristow's time, there was a deficiency of \$5,000,000; and this last year I did not buy bonds to the extent of \$5,000,000 of the surplus fund, so that the question which you now present, although it is presented to my mind very often, has not been decided, either by myself or by any Secretary of the Treasury or by any law, for the question has really never been presented in a way which made it necessary to decide it. My annual report will show the exact application of the amount of the surplus revenue. As, under the provisions of existing law, I was actually selling bonds under the resumption act, I did not see my way clear to go into the market and buy these bonds for the sinking fund, just as, during the whole of the war, the sinking-fund provision was held to be inoperative. While we were actually selling bonds, it was absurd for us to go into the market and buy bonds. The money lies in the treasury, subject to the order of Congress. If Congress directs that that \$5,000,000 be applied to the sinking fund, it can do so, but it will only involve us in the same absurdity that the English were involved in when they undertook to carry out Sir William Pitt's sinking-fund law during their war.

Mr. EWING. But you can buy 6 per cent. bonds with it, and you can sell 4 per cent. bonds.

Secretary SHERMAN. I know that. We can sell 4 per cent. bonds, but what is the use of doing so?

Mr. EWING. What is the balance for the sinking fund?

Secretary SHERMAN. Five million seven hundred and seventy-eight thousand dollars.

Mr. EWING. Where is that—in the Treasury?

Secretary SHERMAN. It is in the general cash balance. It is in the coin accumulated. Mr. Bristow, in his report in 1875, mentions this very matter, and says that, in his opinion, the law requires him to call in bonds, and to invest this money; but Congress took no action upon it, and the result was that that year, or the preceding year, the balance over the surplus revenue, some \$16,000,000, was not applied at all; and so, ever since the panic of 1873, there has been a balance not applied.

Mr. EWING. I don't think the surplus revenue has anything to do with it; what I wanted to know was whether any law-officer of the Government, or any Secretary of the Treasury, had given a written opinion that the sinking fund was to be composed merely of surplus revenue under that section of the Revised Statutes which says that the income from customs shall be applied, first to the interest on the public debt, and second to the sinking fund.

Secretary SHERMAN. I can only say to you that established custom, as well as the theory of our government, would seem to require that the sinking fund provided for the extinguishment of the debt cannot be applied until after all current demands upon the Treasury are paid. Otherwise, the Treasury would be bankrupt whenever there was a temporary falling off in the revenue. For instance, the law which you read to me and which I helped to frame (the law of 1862), providing for the sinking fund, sets aside the receipts from customs to pay 1 per cent. of the debt. Now, although that was the law, just as mandatory as you can read it (requiring the sinking fund to be maintained at 1 per cent.), the sinking fund was never opened, nor could it be, during the war. The pledge was never carried out until the old floating debt was mainly paid.

Mr. EWING. That was covered by the blanket of war necessity.

Secretary SHERMAN. Not at all. That matter was presented to Congress frequently on the ground that it was impossible to maintain a sinking fund until there was an excess of revenue over expenditure, and it continued until I myself complained of it, after the war was over, insisting that while that was right during the war, it should not apply in peace, and we, therefore, carried through Congress a provision for the sinking fund, so that the money might be applied, so much every year, in pursuance of the old act of February, 1862, and so it continued to be carried out until the revenues fell below the expenditures, so as to make it impossible to pay the current expenses of the government, and to pay the sinking fund at the same time. Thus, from the necessity of the case, any Secretary of the Treasury was compelled to pay the current demands on the revenue before he paid the sinking fund, just as a manager of a railroad would be bound to pay his hands and furnish fuel to run his locomotives before he would pay the interest on the bonded debt.

Mr. EWING. Was not the public debt being reduced all that time?

Secretary SHERMAN. Up to the panic of 1873 it was being reduced all the time, and we paid more during all those years than the law required for what we call the sinking fund—that is, the redemption of the debt.

Mr. PHILLIPS. From what source did the payments come?

Secretary SHERMAN. From surplus revenues. And so it continued until 1873. Then, all at once, there was a deficiency of \$16,000,000. Well, the Secretary of the Treasury, as a matter of course, would go on and pay the ordinary expenses first; and if there was any deficiency, would report that deficiency to Congress, and if there was any fault about it, it was with Congress, for Congress should either provide additional revenues to keep up the sinking fund or else should reduce appropriations. Mr. Richardson was Secretary of the Treasury when the first trouble took place. The exact condition of the Treasury was given two months after the panic, and so on by every Secretary, and as Congress would not feel disposed (and I think rightfully—I was in Congress myself at the time, and take my share of the responsibility) to levy new taxes on the people in a time of great distress, this deficiency in the sinking fund was allowed to continue from year to year until now, and I

presume that it will be allowed to continue, although if Congress can see its way clear to levy a tax upon tea and coffee, to make good the sinking fund, I would like it very much. But I do not think Congress will do so.

Mr. EWING. I guess not.

Secretary SHERMAN. Because I do not think that the people would sustain Congress in it. So I do not think there can be any just criticism in throwing on the sinking fund the actual deficiency in revenue, because any Secretary of the Treasury who would undertake to refuse to pay the current expenses of the government, and who would at the same time pay the whole amount of this technical sinking fund in the purchase and payment of the debt, would be overhauled very quickly.

Mr. EWING. I understood you to say on Monday that this appropriation in the resumption law, of any surplus revenue, authorized you to use any of the funds which would otherwise go to the sinking fund.

Secretary SHERMAN. Yes, for the redemption of United States notes and fractional currency, but not beyond that; I never claimed that.

Mr. EWING. For the redemption of the United States notes after the 1st of January.

Secretary SHERMAN. No, sir; we did not discuss that. The point you were putting to me was that we ought not to have used this money (which should go into the sinking fund) for the purpose of redeeming the United States notes and fractional currency, but that we ought to have applied it to the redemption of bonds; and I said in reply that the plain mandate of the resumption act requiring us to pay and cancel and retire the greenback notes was just as mandatory as the appropriations for your salary and mine.

Mr. EWING. Do I understand you now that the appropriation of "any surplus funds in the Treasury not otherwise appropriated," contained in the resumption law, will authorize you, after the 1st of January, 1879, to use funds which would otherwise go to the sinking fund in redemption of United States notes?

Secretary SHERMAN. My impression is that, under the resumption act, after the 1st of January, I can use all surplus revenue to pay any lawful demands on the Treasury of the United States.

Mr. EWING. That is, it gives you the command of the sinking fund for that purpose?

Secretary SHERMAN. Yes. If Congress fails to make enough appropriation for paying the current expenses, including any demand that may grow out of resumption, I would have a right, to the extent of the surplus revenue, to command those moneys, in order to carry out the resumption act, just as I would have a right to use it under any other act of Congress.

Mr. EWING. So that the sinking fund is not only subordinated to any subsequent appropriations by Congress, but is subordinated to this appropriation in the resumption law of the surplus funds, and is really the last thing which is to be looked after or provided for?

Secretary SHERMAN. Yes; for this reason: if I should fail to have money enough to meet the demands upon me for resumption purposes I am invested with the power to sell bonds; I would have the authority to go into the market and sell bonds. It would be idle for me to go into the market to sell bonds while I was actually buying bonds for the sinking fund. I would regard a demand made upon the Treasury for United States notes after the 1st of January next just like any other demand for a liability which I was bound to pay, and I can use all the means at my command, including the proceeds of the sale of bonds.

Mr. EWING. And the sinking fund ?

Secretary SHERMAN. O, yes. The sinking fund, in my view, is nothing but the surplus of revenue over the expenditures. The nature of the sinking fund has been debated to an extent in folios greater than the folios you have got in this room. It was debated in the English Parliament in the famous Dr. Price controversy, which extended for thirty years, and that was the generally recognized idea of a sinking fund—that it was nothing but an agreement on the part of the law-making power to apply surplus revenues to a certain amount to the reduction of the public debt.

Mr. EWING. Has any law-officer of the government, or the Secretary of the Treasury, given a written opinion to the effect either that the sinking fund is subordinated to the special appropriations or to this general appropriation of surplus funds made in the resumption act ?

Secretary SHERMAN. No ; I do not think so. I know of none.

Mr. EWING. Has any law-officer of the government, or any Secretary of the Treasury, given a written opinion to the effect that the United States notes or fractional currency redeemed may be charged to the sinking fund ?

Secretary SHERMAN. No ; because I think that that is so clear that would not ask for such an opinion. The United States notes and fractional currency have been regarded as a part of the public debt ever since their first issue, and in every statement of the public debt it has been always classified as a part of the public debt. In making up the statement of the sinking fund, you will find that we always included the whole aggregate of United States notes and fractional currency.

Mr. EWING. The law unquestionably requires that ; but the law also requires that a sum equal to the interest of the sinking fund shall be applied annually.

Secretary SHERMAN. Yes ; that has been done.

Mr. EWING. And if you put into the sinking fund notes that bear no interest, it is impossible to execute that provision for paying interest on the sinking fund ?

Secretary SHERMAN. What is the sinking fund ? The sinking fund is not the identical bonds that are canceled, destroyed, and burned. The sinking fund is neither the bonds paid and destroyed, nor the notes paid and destroyed. The sinking fund is like many other book accounts that are kept upon our books. It is a certain amount of money, and it is accumulated at the rate of 6 per cent. interest. It does not make any difference from what source the sinking fund comes.

Mr. EWING. If there were 5 per cent. bonds in the sinking fund, would you count interest on them at 6 per cent. ?

Secretary SHERMAN. But there are no 5 per cent. bonds in the sinking fund. I fell into the same error the other day. I told you the other day that I thought that the interest was computed as at the rate of the bonds purchased ; but, on inquiry, I find that I was mistaken, and that the habit has always been to redeem only the 6 per cent. bonds and to compute uniformly 6 per cent. interest on the whole amount of the sinking fund. The sinking fund heretofore has been always composed either of 6 per cent. bonds, United States notes, or fractional currency redeemed.

Mr. EWING. If you had 7.30 bonds in the sinking fund would you not compute the interest at 7.30, and if you had 4 per cent. bonds would you not compute the interest only at 4 per cent. ?

Secretary SHERMAN. No, sir. The identity of the particular security is lost the moment that it is redeemed ; and the sinking fund is com-

puted at the rate of 6 per cent., because the 6 per cent. bonds are now available and can be paid off.

Mr. PHILLIPS. In case of the falling off of revenue, do you think that you would probably have to sell gold in hand to meet the current expenses of the government?

Secretary SHERMAN. If so, Congress would be in a very sorry predicament.

Mr. PHILLIPS. I am speaking of your power to resume.

Secretary SHERMAN. If Congress fails to give us money enough to meet its appropriations, we are broke. That is all that there is about it.

Mr. PHILLIPS. You would avail yourself then of the coin in your hands to meet the current expenditures of the government?

Secretary SHERMAN. Undoubtedly; but I cannot presume that our government is going to do that.

Mr. PHILLIPS. I observe that the currency balance on the 1st of April, 1877, was eight millions; a little over half a million on the 1st of this April.

Secretary SHERMAN. The balance now is greater than it was then. After I came into the office I established this fund of ten millions for the redemption of fractional currency. That fund had not been established until after I came in. The actual balance is \$10,751,851, including that fund of \$10,000,000. Formerly that fund had not been stated according to law.

Mr. PHILLIPS. But that fund had all accrued before this year?

Secretary SHERMAN. No, sir; it had not. It was never stated until after I came into office. It was required to be done under the act, and I thought that its not being done was a failure to comply with the act. I therefore directed it to be done.

Mr. PHILLIPS. That is held in legal tenders, is it not?

Secretary SHERMAN. Yes, sir.

Mr. PHILLIPS. But you stated a little while ago that, of your coin balance in hand, there was five millions that had come from the sinking fund.

Secretary SHERMAN. Here is the law under which that ten-million fund is required to be kept. It is the first section of the joint resolution for the issue of silver coin approved July 22, 1876.

It is as follows:

That the Secretary of the Treasury, under such limits and regulations as will best secure a just and fair distribution of the same through the country, may issue the silver coin at any time in the Treasury to an amount not exceeding ten million dollars, in exchange for an equal amount of legal-tender notes; and the notes so received in exchange shall be kept as a special fund separate and apart from all other money in the Treasury, and be reissued only upon the retirement and destruction of a like sum of fractional currency received at the Treasury in payment of dues to the United States; and said fractional currency, when so substituted, shall be destroyed and held as part of the sinking fund, as provided in the act approved April seventeen, eighteen hundred and seventy-six.

Now there is the answer, "Shall be held as a part of the sinking fund."

Mr. EWING. The answer makes against your construction, because there is a special provision of law that this non-interest-bearing security, when redeemed, shall go into the sinking fund. Why should that be put in the law if it was the law already?

Secretary SHERMAN. It had been done before that and afterward. This simply carries out the same thought and the same idea.

Mr. EWING. That is put in to accomplish a purpose.

Secretary SHERMAN. It is a negative pregnant.

Mr. EWING. It was an entirely unnecessary provision, if those notes so destroyed would necessarily go into the sinking fund.

Now, let me ask your attention again to the table you have given of the items composing the seventy millions of currency in the treasury.

That ten millions of a special fund for redemption of fractional currency cannot be used by the Secretary, nor the twelve millions for the redemption of the national-bank notes in liquidation, nor the 5 per cent. redemption fund of nine million dollars, nor the funds for which certificates of deposit are issued to the amount of twenty-six millions. One of those items are in the control of the Secretary for use.

Secretary SHERMAN. The ten millions and the thirteen millions are practically as absolutely paid off as if the amount of the United States notes outstanding were reduced to the amount of twenty-three millions.

Mr. EWING. But that fund of ten millions is not under your control under existing law.

Secretary SHERMAN. It is practically redeemed; it is in the Treasury; it is ours.

Mr. EWING. I am speaking of it as a resource. That cannot be used.

Secretary SHERMAN. I explained that before. It cannot be used to pay notes or anything of that kind, but it is none the less currency, which we do not need to provide for; that is all.

Mr. EWING. And the \$12,000,000 held for redemption of national-bank notes in liquidation, that can't be used?

Secretary SHERMAN. No; but that is dead while the bank-notes do not come in. As they come in, they are redeemed.

Mr. EWING. Still, it cannot be used by the Secretary?

Secretary SHERMAN. No, sir; nor need it be redeemed.

Mr. EWING. Nor the 5 per cent. redemption fund nor the certificates of deposit?

Secretary SHERMAN. No, sir.

Mr. EWING. Then, of this \$70,000,000, there would be only the 13,000,000 to the credit of disbursing officers, which the Secretary is at liberty to use?

Secretary SHERMAN. I would have to make the same explanation which I made in the beginning—that I do not regard the \$70,000,000 as a fund on hand with which to redeem anything; but that it is 70,000,000 in hand which is not likely to be called for in coin, and that lessens, to that extent precisely, the burden of resumption.

Mr. EWING. I understand that perfectly; but I want to bring out this fact definitely—that of that \$70,000,000 there is but \$13,000,000 that may be used (the balance in the hands of disbursing officers), and that the \$57,000,000 cannot be used by the Secretary.

Secretary SHERMAN. No; but it is so much money that is locked up in the Treasury not to be redeemed. Therefore, instead of counting 340,000,000 of legal-tender notes liable to redemption, you may deduct the great body of this \$70,000,000, just as in the statement of the Bank of England, which deducts from the total amount of notes issued all the notes held in the banking department.

Mr. EWING. I understand that; and with that explanation you admit my statement—that of the \$70,000,000 only \$13,000,000 can be issued and used by the Secretary of the Treasury under existing law.

Secretary SHERMAN. For the purposes of resumption.

Mr. EWING. For any purpose.

Secretary SHERMAN. We use it for the redemption of outstanding

certificates and for the redemption of bank-notes. We pay it out every day. This money is the most active money that we have in the Treasury. We pay it out and receive it every day.

Mr. EWING. But not for any other purpose than that for which it is specially appropriated?

Secretary SHERMAN. It can only be paid for these particular purposes, but it is being paid out every day, and other money coming in its place.

Mr. EWING. Now, you make the amount of bank-notes of banks in liquidation by your statement to the Senate committee \$21,000,000 or \$22,000,000.

Secretary SHERMAN. I think that that includes not only notes of banks in voluntary liquidation, but of broken banks.

Mr. EWING. I read from your statement before the Senate committee:

On December 31, 1875, the amount was \$346,479,750; on December 31, 1877, \$321,672,505, and on February 28, 1878, the amount of bank-notes outstanding was \$321,989,991; but the amount of bank-notes of banks in existence, not in process of liquidation, was \$299,240,475; and the difference between these two sums being the notes of banks in process of liquidation, although the notes are in circulation, yet an equal amount of greenbacks are in the Treasury as a special deposit to redeem them.

That makes the difference between \$321,672,505 and \$299,240,475—about \$22,000,000.

Secretary SHERMAN. I can tell you the explanation of that. I was correct in my statement before the Finance Committee. There are \$21,000,000 or \$22,000,000 of notes of outstanding banks in process of liquidation, of which \$13,000,000 in United States notes is held in the Treasury, and for the balance we hold the bonds of banks that failed as security. The discrepancy, no doubt, is represented by the fact that we have not sold those bonds. I am surprised that we hold as much as \$13,000,000 of notes, for we do not usually sell bonds until the proceeds are needed to redeem the outstanding notes of those bonds.

Mr. EWING. When a bank goes into liquidation it deposits greenbacks to redeem its notes.

Secretary SHERMAN. Yes; but failed banks do not. When banks fail we take possession of their bonds and we sell them only as we need the proceeds to meet their notes. I have no doubt that the great body of this \$13,000,000 on hand is money deposited by banks which have voluntarily retired. They have to deposit greenbacks before they get their bonds. But in the case of banks that fail, we sell the bonds as we need the proceeds from time to time. That will doubtless explain the discrepancy.

Mr. EWING. That explains why the item is not \$22,000,000 instead of \$12,000,000.

Secretary SHERMAN. Yes; we can, if we desire, sell all the bonds that we hold as security for those broken banks, but the usual course is not to do so, but to give the stockholders the benefit of their circulation, and only to sell the bonds as money is needed to redeem the bank-circulation.

Mr. EWING. There is a fraction under \$300,000,000 of national bank notes outstanding, but the five per cent. redemption fund is only put down at nine millions; it should be fifteen millions.

Secretary SHERMAN. No; the explanation of that is this: As the notes of banks in operation come in we redeem them, and at the end of ten days, or oftener if the Treasury sees proper, these notes are returned to the banks issuing them, and are replaced by the banks with greenbacks. This redemption of bank-notes for the time diminishes the \$15,000,000 or five per cent. fund to some extent, but at the end of ten

the redeemed bank-notes are sent back to the banks and replaced by other United States notes. In other words, there is a little leeway in there in the ordinary course of business.

Mr. EWING. That is only \$500 to every bank. That would scarcely cover the difference between \$9,000,000 and \$15,000,000.

Secretary SHERMAN. It will make it. Ten days' redemption makes out \$5,000,000.

Mr. EWING. That explains the discrepancy, therefore.

Secretary SHERMAN. Yes; it is always so. Mr. Gilfillan has been of a very strict with the banks.

Mr. EWING. In case of a drain of gold from the Treasury, what measure would you resort to to check it—I mean after resumption?

Secretary SHERMAN. The Treasury ought to be so strong that the gold would check itself. You can scarcely imagine, in the probabilities of business, that, with no outstanding liabilities that are not covered by actual cash on hand except the \$300,000,000 of legal-tender notes, the drain upon the government would be so great as to exhaust the reserve of \$120,000,000. That proposition is all based, not upon the fact that \$100,000,000 would pay \$300,000,000—we all know that is not so—but upon the fact that it is impossible to gather together United States notes and to present them in such a mass and in such a continuous stream, that the very effort to do so would raise the value of United States notes. Their convenience is so great, and the necessity for them so apparent, that such an effort would at once bring them up to par in gold. I think that a drain of five, ten, fifteen, or twenty millions would at once tend to bring up the value of greenbacks until they were at par in gold, and then there would be no object at all in drawing them out.

Mr. EWING. After resumption the greenback must remain at par in gold as long as the Treasury maintains resumption?

Secretary SHERMAN. Certainly; and while they are at par in gold they will not be presented to any considerable extent.

Mr. EWING. Of course, if there was an established difference of 1 per cent., or one-half of 1 per cent., between gold and greenbacks, the Treasury would be broken pretty quick?

Secretary SHERMAN. Yes, sir, or a quarter of 1 per cent.; there is no doubt about that.

Mr. EWING. Therefore, after resumption, greenbacks must necessarily be at par with gold so long as the Secretary is able to maintain resumption? Now, I am supposing a case of a drain of gold from the action of foreign creditors, or from any other cause, and want to know what means you would resort to to check it?

Secretary SHERMAN. I do not think that it would be necessary to resort to any means; but if it were necessary to devise some means, I could resort to such as have been adopted in other countries—the temporary suspension of specie payment. That is a question for Congress. The British bank act, which is so often quoted as the standard, makes no provision for suspension; there is no legal suspension of payment in England, nor does our law make any provision for it. If the government should meet such an adverse state of circumstances as to make suspension absolutely necessary, the government would necessarily have to take the responsibility of it, leaving Congress to determine whether the circumstances justified it. That has always been so.

Mr. PHILLIPS. Then do you think that the Secretary of the Treasury has the power to suspend specie payment?

Secretary SHERMAN. No, sir; but if demands were made upon the Treasury, which the Secretary could not pay unless he was to pay them

out of his own pocket, he would have to stop paying. That is all there is about it.

Mr. EWING. When, short of the point of your actual inability to go further, would you feel at liberty to stop?

Secretary SHERMAN. That I cannot state. That will not occur in my time if you give me now such a reserve as I mention, and it will not occur at all, in your time or in my time, in my judgment. But we cannot anticipate what the future will bring forth. We do not know but that we may be involved in war, which would compel a suspension of payment, and we do not know what might be the effect of war in Europe.

Mr. PHILLIPS. I was going to ask you on that very point. Would not a general war in Europe result in raising the price of gold?

Secretary SHERMAN. Wise men differ very much upon that. I think that a general war in Europe would give such a demand for our agricultural products, and for everything that we produce and sell, that it would probably inspire confidence, and there would be less danger.

Mr. PHILLIPS. Might it not raise the price of gold as compared with currency?

The CHAIRMAN. Or might it not have the effect of sending our bonds here?

Secretary SHERMAN. We are not bound to pay for our bonds unless they are due.

Mr. EWING. But banks and others that hold gold would be tempted to buy bonds, and the gold would go out.

Secretary SHERMAN. I do not think so. I have shown you now in these figures that, with such a reserve as I have mentioned, the government of the United States is stronger for resumption than the Bank of England.

Mr. EWING. Is now?

Secretary SHERMAN. No; I say will be, if you give us the reserve I mention. It will then be stronger than the Bank of England.

Mr. EWING. You said on Monday that it is now stronger.

Secretary SHERMAN. I do not think that it is now, but I say that before the 1st of January, with an additional reserve of \$50,000,000, and if you will provide enough means to carry on the current expenses of the government, with or without regard to the sinking fund, we will be stronger than the Bank of England. If you make good the sinking fund, we would be better off; but if you do not make it good, it does not affect the question of resumption. With that \$50,000,000 additional (making our reserve \$130,000,000 or \$140,000,000), with the fact that our notes are of universal credit and are distributed throughout this great extent of country and among 40,000,000 of people, with the fact that \$70,000,000 of our notes are now in the treasury not likely to be called upon, and with the fact that the banks have to take care of \$70,000,000 more, which they cannot run in upon us without subjecting themselves to the violation of the law of their creation, with their notes absolutely secured by United States notes—if we cannot maintain specie payment, then it is impossible to maintain specie payment on a paper circulation.

The CHAIRMAN. That is on the theory all the time that paper and gold are equivalent?

Secretary SHERMAN. Certainly. Specie payment means the equivalency of gold and paper. It is on the theory that the 1 per cent. difference between gold and silver will disappear before the 1st of January that I propose to commence specie payments; but suppose that I am mistaken; suppose that your fears are well grounded and that I am

or sanguine, as some people say I am, still, Congress will meet in December, and then the question will be so apparent to every man that, the resumption act cannot be carried out, I shall come to Congress and say that I have been unable to accumulate this reserve, or that an adverse state of circumstances has arisen, and that I am unable to do at the resumption act requires of me.

Mr. EWING. But in the mean time the country is on the rack and torture of preparation for impracticable resumption.

Secretary SHERMAN. There you are mistaken. The process toward resumption is not a harsh process. What is harsh, and what has been of great weight upon the people, has been the effect of extreme paper currency, resulting in the panic of 1873, sixteen or eighteen months before the passage of the resumption act. Last summer, when I accumulated \$60,000,000 of gold, and was going on refunding the debt, every sign of prosperity was increasing and business was getting better.

Mr. EWING. In your conference with the Senate committee, you spoke "this long, weary agony and struggle toward resumption," and I think that the country will agree with you that there is enough of agony to that.

Secretary SHERMAN. Wherever there is an evil caused by inflated money, the instincts of human nature lead men back to specie payment, and the whole process from 1873 down to the present time is a process toward resumption.

Mr. EWING. If the resumption law had never been passed, the country would have revived from the panic of 1873 during the year 1875.

Secretary SHERMAN. You and I, no doubt, differ very honestly on that point.

Mr. HARTZELL. What would be the effect of this resumption act upon the national banks and their depositors?

Secretary SHERMAN. I cannot see that it will have any injurious effect therein.

Mr. HARTZELL. I understand from your statement here last Monday, that the national banks hold \$600,000,000 of deposits. Lack of confidence might induce the depositors to go to these national banks and demand on the 1st of January, or soon after the resumption act takes effect, a large amount of gold.

Secretary SHERMAN. No; United States notes.

Mr. PHILLIPS. Which would command gold.

Mr. HARTZELL. And if the banks did not have them, and the supposition is that they could not—

Secretary SHERMAN. All the national banks in the country have but \$100,000,000 of greenbacks.

Mr. HARTZELL. The banks would have to furnish to the depositors either gold or greenbacks, but they could not furnish either to half the amount of their deposits?

Secretary SHERMAN. No, sir.

Mr. EWING. The aggregate of deposits in all the banks, national, State, rate, and savings banks, as shown by the report of the Comptroller, is \$120,000,000.

Secretary SHERMAN (to Mr. Hartzell). Your question is a very proper one. I can only give you my idea. All banking is based upon the idea that a larger amount of paper money can be maintained in circulation than the money in which it is to be redeemed. Otherwise there would be no object in banking. The Bank of England and the small banks of Ireland maintain a cash reserve varying from 9 per cent. up to about 40 per cent. The Bank of France and the Bank of Germany, which

are really government depositories, maintain a large reserve. A reserve of 40 per cent. would be considered a very large reserve. The only answer to your question is that experience has shown, to the satisfaction of the banks, that their deposits will not be all demanded. If they are demanded they will be paid by credits. Most of these depositors are debtors to the banks, as well as creditors of the banks. They are customers. The balance of credits would pay off a good deal of the deposits of the banks, and experience shows that a certain amount of money on hand and available, with a good line of discounts to support it, is sufficient. As to the notes of national banks, every dollar of them is secured by United States bonds to an amount of at least 10 per cent. greater than the amount of notes outstanding; and these bonds are of such universal credit and ready sale that in the ordinary course of business they can be very readily converted into any kind of money.

Mr. EWING. What about the \$1,500,000,000 of deposits in other banks than national banks?

Secretary SHERMAN. They are private individual debts; the government has nothing to do with them.

Mr. EWING. The government has certainly to consider them in the plan of resumption?

Secretary SHERMAN. It has to consider them just as it has to consider any other public fact.

Mr. EWING. More than that; they have a direct bearing on the practicability of government redemption, for the legal-tender note is the only paper money redeemable in coin, and on the \$348,000,000 of legal-tender notes rest \$300,000,000 of national-bank notes and \$2,120,000,000 of cash demand deposits. That is all to be considered.

Secretary SHERMAN. It is all to be considered, but \$10 will pay \$100 of deposits in the ordinary course of business.

Mr. HARTZELL. Does the mere fact that the government will, on the 1st of January, be able to redeem all its legal-tender notes, bring us of itself to specie resumption? Is that what we mean by specie resumption?

Secretary SHERMAN. I mean by specie resumption not the payment of all these debts in coin, but I mean the equivalency of these United States notes with coin, so that the people will take paper at par with coin, and if they want the coin they can get it. I do not suppose that \$1 out of \$100 of greenbacks will be presented for redemption.

Mr. HARTZELL. The national banks are close corporations, as I understand, and there is a general understanding between them on all questions affecting their interests, as we find by their unanimity in applying for a repeal of the bank-tax.

Secretary SHERMAN. Mr. Chittenden here can tell you that there are no people who have such diverse views as the national banks.

Mr. HARTZELL. If it should appear that the safety and security of these national banks demanded it, could they not unite and get together such securities and present them to the Treasury as would drain the Treasury of all the gold that it has, and thus absolutely prevent, by their combination, the Secretary from carrying out the provisions of the resumption law?

Secretary SHERMAN. I do not think, in the first place, that they would attempt to make such a combination against the government, and, in the second place, I think that if they did it would be very easily met. It is not possible, with the amount of legal-tender notes which they hold—admitted to be about \$70,000,000—that they could take the whole of them and present them to the Treasury. Such a thing is not possible, because the banks could not be brought into anything like a co-oper-

ion of that kind, nor could they keep up a continuous stream of demand on the Treasury; and then, besides, the Treasury has ample power to make the banks redeem their notes.

Mr. EWING. In legal-tender notes?

Secretary SHERMAN. Yes, in legal-tender notes.

Mr. EWING. Or in silver and gold?

Secretary SHERMAN. Yes; that would throw the gold back on the Treasury. Some of the papers thought that in my remarks the other day I threatened the banks. I did not threaten them, but there is no doubt about it that the Treasury would be stronger than the banks in such a contest. There is no danger that the national banks are going to combine to present their legal-tender notes to the Treasury.

The CHAIRMAN. It would be much more reasonable to suppose that the banks would agree among themselves that their obligations and operations would be in currency, and that their checks would be paid in currency rather than in gold.

Mr. HARTZELL. Suppose that the depositors in the national banks should run in and demand payment of their deposits; would not the national banks be bound to go under?

Secretary SHERMAN. The banks can pay their depositors in greenbacks, because greenbacks are legal tender.

Mr. HARTZELL. How could they when there are only about \$220,000,000 of them in circulation?

Secretary SHERMAN. Then, if they cannot get them, how can they present them to us for redemption?

Mr. EWING. They have \$70,000,000 which they can present in a week.

Secretary SHERMAN. How can they bring \$70,000,000? The national banks in New York, where the largest accumulation of greenbacks is, have only got \$11,000,000. I think it is sufficient to say that Mr. Hartzell's supposition is an impracticable one; first, because the banks could have no desire to do such a thing; and, secondly, because it could not be done. It would have to be a very slow operation, and with a reserve of \$130,000,000 or \$140,000,000 even that extreme danger could be met.

Mr. EWING. In case of an apprehension that the Treasury would have to suspend specie payments, and, consequently, that gold would rise, would not the banks want to convert their reserves, and would they not certainly convert their coin-certificates into gold?

Secretary SHERMAN. It might be; but a suspension of specie payment, or a sudden panic, never comes at a time when people are expecting it or protecting themselves. It always comes like an earthquake, when it is wholly unexpected.

Mr. EWING. You intimated a probability of a suspension by the government, from the running down of the coin in the Treasury.

Secretary SHERMAN. I say that such a thing might be possible.

Mr. EWING. The state of the Treasury is known all the time to the banks and to the public, and certainly the fact that the Treasury was running short of gold would create alarm, and would naturally cause the banks and other holders to precipitate their seventy millions of legal-tender reserves and their fifty-eight millions of gold-certificates on the Treasury.

Secretary SHERMAN. I can only say that the Bank of England has frequently run its gold down—at one time to a million of pounds.

Mr. EWING. Yes, sir; and the bank ran short once and then found a lot of one-pound notes, and they saved it from bankruptcy when gold would not.

Secretary SHERMAN. If you would ever run the Treasury down, so as

to redeem the \$140,000,000 of the present outstanding legal-tender notes, greenbacks would be so scarce that they would be taken readily by everybody, just as in England, when the bank balance ran down under the panic to one million pounds sterling, every one was anxious to get Bank of England notes. Everybody was eager to get them and to hoard them; so that I do not think this is a danger to be regarded.

Mr. EWING. I want to ask further about your means of stopping a drain. Would you not naturally withhold the greenbacks as they come into the Treasury, in case you became apprehensive at all of a drain of gold?

Secretary SHERMAN. I think I would. If it should so happen that there was a run upon the Treasury for greenbacks, I would not issue them until the run was over.

Mr. EWING. And until the Treasury felt as strong as usual?

Secretary SHERMAN. Yes, sir; and in that event I do not like to say what I would do. I would sell 5 per cent. bonds, if necessary, in an extreme case.

Mr. EWING. In such a contingency the banks would naturally contract their currency also.

Secretary SHERMAN. In case of a panic which would threaten to break the government, or to break the banks, as a matter of course the instinct is one of self-preservation; but that is so whether you have coin payments or currency payments.

Mr. EWING. I am not speaking of a panic, but of the state of the Treasury from time to time. If you find your gold running out, would you not hoard the greenbacks?

Secretary SHERMAN. Naturally; if I found the greenbacks coming in, I would hold on to them until they are called out again in the natural course of business.

Mr. EWING. For the purpose of diminishing the drain on the Treasury of gold?

Secretary SHERMAN. I might temporarily, until that drain passed; but ordinarily I would use them to redeem 6 per cent. bonds.

Mr. EWING. After the drain passed, what would you do?

Secretary SHERMAN. I would pay them out again.

Mr. EWING. That is, you would do very much as the Bank of England does—you would stop the movement of the currency out of the Treasury, as far as practicable?

Secretary SHERMAN. Yes, sir; and, as a matter of course, Congress would be in session from time to time and could be applied to. It may be that Congress may, by future legislation, provide for that contingency.

Mr. EWING. Have you any apprehension that the banks, before resumption day, will present their gold-certificates?

Secretary SHERMAN. I wish they would.

Mr. EWING. That would put a stop to your power to issue certificates to the amount of 20 per cent. beyond the gold on hand.

Secretary SHERMAN. It might, but there is no prospect of that. The power to issue certificates to the extent of 20 per cent. is a power which, up to this time, has not been exercised, and which would not be exercised except in an extreme case. But what motive would the banks have to withdraw the money deposited with us? It is deposited with us for safe keeping, and they would only withdraw it from a fear that it was not safe.

Mr. EWING. Might not the fact that there is a contingency in which

you might issue coin-certificates in excess of the coin in the Treasury lead the banks to feel that they had better get their gold?

Secretary SHERMAN. I do not think so; but at any rate it is safe to say that that thing has not been done, and probably would not be done, except in an extreme emergency, such as would justify the Bank of England in issuing notes when it would not pay gold.

Mr. EWING. Is there not a further reason why the banks would take possession of their gold, when you reach specie payments, which is that they must pay gold when the gold is asked for?

Secretary SHERMAN. No.

Mr. EWING. Otherwise they will receive no deposits in gold.

Secretary SHERMAN. The banks under the law can always redeem in legal-tender notes.

Mr. EWING. I know that, but if they are to receive deposits in gold they certainly must pay their depositors in gold where the depositors want it. They must treat gold and paper as equivalent exactly, and, therefore, they must have gold on hand to pay those who want gold, otherwise they will not receive a dollar in gold deposits except as special deposits.

Secretary SHERMAN. The fact is that but little gold is paid even on coin payments.

Mr. EWING. But, as a matter of fact, must not the banks have the gold to pay whenever it is demanded?

Secretary SHERMAN. Yes, sir; on deposits they agree to pay in gold. As a matter of fact, they have some gold to pay now. They have gold in all the city banks, and the reserve of gold in the New York banks is very large; but there is no gold needed in Lancaster or Mansfield, Ohio, where you and I live; what do they need it for?

Mr. EWING. When you get to specie payments plenty of people will want to hoard it.

Secretary SHERMAN. No; they will hoard silver dollars. The class of people who hoard money are those to whom small sums are great ones.

Mr. EWING. The amount of gold in the banks now is very small, because there is a very small amount of obligations payable in gold; but after resumption day, when you establish that paper and gold and silver are equivalents, a large body of the bank depositors may want gold, and the banks must give gold to their customers who want it. Do you think it necessary to get the amount of legal-tender notes down to \$300,000,000 before the 1st of January, 1879, in order to resume with safety?

Secretary SHERMAN. I would like to have it so, but even if I do not succeed, I would not postpone resumption on that account.

Mr. EWING. In the three and a quarter years since the resumption law was enacted, \$35,000,000 of legal-tenders have been drawn in and canceled; is there any probability that, in the time left between now and resumption day, the remaining \$47,000,000 can be retired?

Secretary SHERMAN. No; I think not.

Mr. EWING. Do you anticipate any considerable reduction of legal-tender notes by the increase of bank currency by next January?

Secretary SHERMAN. Yes, sir; last month there was a reduction of \$1,000,000. I think that the amount will depend very much on the degree of confidence in the future which prevails in banking circles.

Mr. EWING. That is as to maintaining resumption?

Secretary SHERMAN. Yes, sir; that estimate of the amount will be reduced, probably, \$1,000,000 a month.

Mr. EWING. That would leave you with \$340,000,000 of legal-tender notes outstanding.

Secretary SHERMAN. Then I think we can fairly state that this money in the Treasury (that is, the balances held by disbursing officers, the \$10,000,000 fund for the redemption of fractional currency, and the money held for the redemption of bank-notes on failed banks) will probably reduce it to the neighborhood of \$300,000,000, nominally.

Mr. EWING. Still that \$16,000,000 to disbursing officers goes on.

Secretary SHERMAN. But there is always about that much on hand.

Mr. EWING. But I understand that you want to reduce the total volume of legal-tender currency to \$300,000,000.

Secretary SHERMAN. I do.

Mr. EWING. It is obvious that it cannot be reduced to \$300,000,000 on the 1st of January, 1879.

Secretary SHERMAN. I say it would be better if it could be done; but if it cannot, I would not postpone resumption for that reason, because I think that with this large reserve which I mention we can maintain resumption on the full amount—with the advantage we have of having thirty or forty millions locked up in the Treasury not likely to be used.

Mr. EWING. Do you think that the balance of trade can be kept in our favor for the next few years?

Secretary SHERMAN. That is an uncertain problem.

Mr. EWING. You say, in your Senate interview, that the balance of trade brings us gold and silver and bonds. Has it brought us, in the past few years, gold and silver in excess of the gold and silver exported?

Secretary SHERMAN. No; you see heretofore silver has been largely exported as bullion, but we received gold, last season, in pretty large sums in this country—precisely how much, I am not prepared to say.

Mr. EWING. I have here, from the Bureau of Statistics, a statement of the imports and exports of coin and bullion, from 1865 to 1877, which shows a total, for the 13 years, of exports over imports of \$692,000,000. (See appendix No. 10.)

Secretary SHERMAN. Yes, sir; that is so.

Mr. EWING. That is an average of exports over imports of gold and silver of \$53,264,000 a year.

Secretary SHERMAN. That was at a time when paper money was in universal use, and there was no demand here for silver or gold; but now that we are to have specie payments, that course of things will be naturally expected to cease. You will find it easier to send off the products of our soil than the products of our mines, if we give the same use to the precious metals that is given in other countries.

Mr. EWING. For the past three years the average excess of the exports of gold and silver, over the imports (the balance of trade being in our favor) has been \$42,396,000 a year; and that average is still continuing?

Secretary SHERMAN. Yes, sir. At this season of the year gold is shipped abroad, and at other seasons of the year it comes back. Sometimes the same gold will flow backward and forward two or three times in the year. After the cotton crop is marketed, and before June, when the rivers are open, and products can be moved on the canals, is the season when gold naturally flows abroad, and it comes back in the fall.

Mr. EWING. Have you any reason to expect that the average exports of gold and silver, will not be in excess for the next two or three years, as it has been for 13 years past?

Secretary SHERMAN. I would expect more exports, because of our large production of gold and silver, which may be stated, in round num-

rs, at \$85,000,000. If we can hold two-thirds of it in this country, it as much as we can expect. That would leave a balance of thirty or forty millions to go abroad. And suppose it does go abroad? We n stand the drain of thirty or forty millions a year, and still have a rge amount of gold and silver in this country. (See Appendix No. 12.)

Mr. EWING. Do you not anticipate that drain?

Secretary SHERMAN. I would expect it. Our production of gold and rver is greater than is necessary to maintain resumption in this coun- y, and it will go to help other countries.

Mr. EWING. Will it not go abroad irrespective of our demand for it re?

Secretary SHERMAN. It depends upon whichever demand is the great.

Mr. EWING. And upon whoever has the most ability to keep it?

Secretary SHERMAN. Yes, sir.

Mr. EWING. We being the debtor nation, and the people of Europe adding our debts, can they not attract gold from us at present?

Secretary SHERMAN. If we are a debtor nation we are also a nation hich the European nations like to have for a debtor. Our nation has en a productive, active nation, and foreign capital seeks a favorite in- stment here.

Mr. EWING. Still, in case of a want of gold abroad they have it in eir power to get it at any time by the sale of our securities.

Secretary SHERMAN. Yes; they can recall it if they want to do so, it the chances are that they will be more likely to invest in our securi- s in the future than they have been in the past, because this country a stable country. It has gone through a great civil war, and it has ements of strength and stability which no European country pos- seses.

Mr. EWING. Our ability to keep gold practically depends upon this, hether our creditors abroad prefer to hold our bonds or to take our old?

Secretary SHERMAN. Certainly.

Mr. EWING. If they prefer to take our gold they can get it by send- g their bonds here and selling them.

Secretary SHERMAN. Yes.

Mr. EWING. And in the past three years, with the balance of trade rgely in our favor, the excess of exports of specie over imports has en forty-two millions a year.

Secretary SHERMAN. That is because until last year we have never own a determination to accumulate coin.

Mr. EWING. Our determination to accumulate coin was as strong in e month of January last as it ever has been, and yet the balance ainst us in that month was over two million dollars.

Secretary SHERMAN. The cause of the bonds flowing back was the ar of unfriendly legislation. The truth is, that (whether the fear was ell or ill founded) a very large amount of our bonds came back which d to be paid in gold or silver because of pending legislation, but that ovement has ceased. I got a letter yesterday from the highest au- ority, stating that that movement of bonds has gradually diminished.

Mr. EWING. Still the export of gold last Saturday was a million and half of dollars.

Secretary SHERMAN. It always is large at this season of the year. is same gentleman tells me that he does not think that the export of ld this year will be greater than in former years, but that it com- enced earlier, caused by the exportation of these bonds from abroad.

money, and you expect to add to that volume a considerable amount of specie. That is, you expect to increase the currency as a result of resumption. Certainly, if this condition of extravagance arises from a superabundance of money, that extravagance will be increased very largely after resumption, if your theory be correct.

Secretary SHERMAN. There is a great deal of difference between irredeemable paper money, which fluctuates in value day by day, and redeemable money which always has a coin standard, and is measured by the values of the world. It is not a question of abundance of money so much as it is a question of fluctuations of value. A paper which is irredeemable and fluctuating always induces speculation. For instance, if a man sees that his neighbor has bought a piece of land on which he has made a large profit, he goes into speculation himself; and one man embarks in a hazardous enterprise because another man has done so and has succeeded. Now a redeemable paper money which is always at a fixed standard is less likely to produce that kind of speculative feverish adventure, even although it may be larger in volume.

Mr. EWING. So you understand that with inflation of currency after the 1st of January, 1879, there will not be inflation of values?

Secretary SHERMAN. No; values will be more stable.

Mr. EWING. As a matter of fact, did the greenback currency vary so greatly in purchasing power for the three years before the passage of the act of 1873?

Secretary SHERMAN. O, yes. The purchasing power of the greenback to-day is at least 60 per cent. more than it was before the panic.

Mr. EWING. Undoubtedly, because of the threatened contraction under the operation of the resumption law.

Secretary SHERMAN. No; but because of our getting back to a coin standard.

Mr. EWING. It is because the opinion of the country is that we must submit to an enormous contraction of our paper money, which is the currency with which business is done, in order to reach and maintain resumption.

Secretary SHERMAN. You and I differ about that. I have given you my view. I tell you that I think the falling off of importations is not an unfavorable sign. Every man knows now that money is money, and that he has to earn it. It is an evidence of more stable and economical management of affairs.

Mr. EWING. Do you expect the business of the country to revive after resumption?

Secretary SHERMAN. I think so.

Mr. EWING. Will not the imports increase largely as a necessary result of that revival, and will not, therefore, the balance of trade more likely turn against us by the increase of imports, the present favorable balance being due chiefly to the falling off of imports?

Secretary SHERMAN. I doubt very much whether the importations to this country for many years will equal what they were for the three or four years before the panic. The whole course of our industry has changed within the last three or four years. We are manufacturing now a great many things which we did not manufacture then. We are embarking in a great many industries which did not exist here before the panic. Prices have been reduced so that we can almost compete with any nation, and we export now many articles which we did not think of making until the last few years. When we manufacture upon the basis of a coin standard, like Great Britain and France, we can compete with those nations, because we have over them the great ad-

vantage of raw products. To be sure we have the disadvantage of higher-priced labor. Our labor is more intelligent and higher-priced.

The CHAIRMAN. And the disadvantage of higher priced money.

Secretary SHERMAN. Yes; but when we get down to compete with them on the same money, our natural advantages would countervail the difference in wages and the difference in interest of money. We are now manufacturing a great variety of articles which were never manufactured in this country before. Values now—even gold values—are lower than they were before the panic all over the country. The same amount of money represents now a greater amount of either imports or exports than it did then, because nothing is truer than the fact that that general revulsion which overcame us like a cloud extends all over the civilized world.

Mr. EWING. My belief is that on any revival, any letting up of the pressure caused by the resumption law, the imports will increase relatively to exports, and the old balance of trade will be re-established against us, and the drain of gold will return in its full force. (See Appendix No. 13.)

Mr. PHILLIPS. Will not the coin-certificates become a part of the currency, when specie payment comes, and so fill up the void made by the retirement of the legal-tenders, and probably neutralize the effect of the retirement of the legal-tenders?

Secretary SHERMAN. I think they will; but these coin-certificates are now represented by actual money on hand.

Mr. PHILLIPS. They increase the responsibility of the Treasury just in proportion. They will go into circulation, will they not?

Secretary SHERMAN. Yes. It does not make any difference whether currency is represented by coin-certificates or by actual coin. If they draw out coin, that coin goes into a general circulation, and if they leave it with us, then the certificates go into circulation.

Mr. PHILLIPS. But these coin-certificates will then go into general circulation as they do not go now.

Secretary SHERMAN. Coin-certificates do go into the general circulation for coin purposes now. They are largely used.

Mr. PHILLIPS. But will they not go in for general purposes as circulation?

Secretary SHERMAN. Perhaps they will.

Mr. PHILLIPS. There has been \$35,000,000 of legal-tender notes retired under the resumption act?

Secretary SHERMAN. Yes.

Mr. PHILLIPS. Of that amount I have been informed that \$15,000,000 has been in small notes; what rule have you to govern the Treasury in that respect?

Secretary SHERMAN. I am glad you mentioned that, because I would like to correct a misapprehension on that point. We always give to every man who makes a demand upon the Treasury any kind of bills he wants. We do not seek to force one-dollar, two-dollar, five-dollar, twenty-dollar, or one hundred-dollar bills. Every person who presents a draft at the Treasury gets the paper money he wants.

Mr. PHILLIPS. But the practical result is that some \$15,000,000 of small bills have been retired, to the detriment of small change.

Secretary SHERMAN. Our impression is that that is a mistake.

Mr. PHILLIPS. It has been so stated to me.

Secretary SHERMAN. I can give you the fact exactly. I suppose it is because the banks, to whom the great body of the paper money is paid out, do not wish to handle small bills, and require large ones; but any-

body who wants the small bills can have them. I will give the exact amount at different dates, so that you will see how much the circulation of small bills has fallen off.*

Mr. PHILLIPS. Do you think that the proportion of small bills retired has not been much greater than the proportion of large bills retired?

Secretary SHERMAN. I do not know. I would rather give you the exact figures. General Butler talked to me yesterday about it, and I told him what I say to you. We never have attempted to withdraw the ones and twos from circulation.

Mr. PHILLIPS. But have they not gone out of circulation under the resumption act?

Secretary SHERMAN. Not to any very great extent. They do not go out simply because the banks and others who draw large amounts do not take them as freely as the people wish to have them. The banks do not wish to handle them.

The CHAIRMAN. It seems to me that upon your theory, on resumption, it would be very important that greenbacks should be used for our four per cent. bonds?

Secretary SHERMAN. Yes, sir.

The CHAIRMAN. And that if they can be also received for duties at the custom-house it would help you in resumption.

Secretary SHERMAN. Yes. As soon as we resume, or are ready to resume, we ought to receive greenbacks for customs-duties.

The CHAIRMAN. And bring them on a par with gold also by making them exchangeable for bonds.

Secretary SHERMAN. Yes; or redeem such as are presented in coin.

The CHAIRMAN. On that theory of resumption you would resume already, in order to have practical resumption.

Secretary SHERMAN. Yes; that is resumption, and we would not know about it. Within a year we have seen a decline of nine per cent. between greenbacks and gold. In December, 1876, gold was 110 per cent., and we have since had that decline and nobody has been hurt by it.

Mr. BELL. Suppose the greenbacks were to obtain an equality in value with gold, how would the repeal of the resumption act then affect resumption?

Secretary SHERMAN. The repeal of the resumption act would prevent me from maintaining resumption by the sale of bonds. That would be the first thing. Then the resumption act is the only provision of law which requires me to redeem United States notes in coin.

Mr. EWING. But you are at liberty to do so. If the resumption act were repealed, you might maintain an equivalency of paper and coin?

Secretary SHERMAN. No. It is perfectly clear that I have no right to exchange one form of money for another.

Mr. EWING. But you could pay out gold and silver.

Secretary SHERMAN. Yes.

Mr. EWING. And you could thus maintain an equality of coin and

* Statement of one and two dollar United States notes outstanding at the dates mentioned.

Date.	Ones.	Twos.	Totals.
June 30, 1873	28,911,309	34,210,856	63,122,165
June 30, 1874	26,571,512	28,117,438	54,688,950
June 30, 1875	27,416,863	26,345,326	53,762,189
June 30, 1866	28,007,504	27,480,479	55,487,983
June 30, 1877	25,160,297	25,369,825	50,530,122
April 1, 1878	22,744,288	22,707,443	45,451,731

paper upon your theory, which is, that as soon as paper and coin are equal nothing will be likely to occur to disturb the equilibrium?

Secretary SHERMAN. There will be more or less fluctuation, and we must be prepared to meet those fluctuations, so that if greenbacks become superabundant we can get gold for them; or if, on the other hand, gold becomes a drug, as it may, it will be deposited for greenbacks.

Mr. EWING. But if greenbacks become superabundant, and are presented to the Treasury for redemption, you will have to pay them out again?

Secretary SHERMAN. Yes, as soon as the equivalency is restored.

Mr. EWING. That is, you will hold whatever greenbacks come in until there is an equivalency?

Secretary SHERMAN. Yes; that is the effect of it.

Mr. PHILLIPS. Would it not be safer, by legislation and by taking greenbacks for customs-duties, to secure and maintain an equalization of values in that way rather than by resumption to authorize the combination of bankers to drain away the only credit resources in the Treasury?

Secretary SHERMAN. I think not; unless you maintain this equivalency you have no right, under your law, without violating your promise, to receive anything but coin in payment of customs-duties.

Mr. PHILLIPS. There may be various means of bringing up greenbacks by equalizing values. Would it not be safer for us to legislate so as to preserve an equality in values rather than to have forced resumption?

Secretary SHERMAN. No; because legislation is not powerful enough to do what can only be done by the actual redemption of the notes on presentation. No law can make two things equal to each other in values.

Mr. PHILLIPS. Can the law force you to resume if you have not the coin to do it?

Secretary SHERMAN. No; but we have the coin. As a matter of course, if we had not the coin we could not resume, but if we have the coin we can resume.

Mr. EWING. I understand that your idea is to exercise about the same power which is exercised by the Bank of England, in regard to these legal-tender notes.

Secretary SHERMAN. No; because the Bank of England loans out its notes for profit. That is its business.

Mr. EWING. The Bank of England, when a drain sets in, interrupts the movement of circulation by taking in its notes and not paying them out until the drain is checked. In that respect your idea of maintaining resumption is the same.

Secretary SHERMAN. Yes. When the notes are presented, the Secretary of the Treasury pays them in coin, silver or gold, at his discretion. When, in his judgment, it is wise to pay out these notes, either on the public debt or on the interest of the public debt, to those who are willing to take them, or any current expenses, he does it.

Mr. EWING. But he would not pay them out—

Secretary SHERMAN. Unless they were equivalent to coin.

Mr. EWING. And he would judge of their equivalency by the drain upon the Treasury?

Secretary SHERMAN. He would never be likely to pay out these greenbacks if they were to come back again on him for coin; and he would not be wise if he did it.

Mr. EWING. In that respect, he maintains resumption by exercising the same power and control over the paper currency as the Bank of England does!

Secretary SHERMAN. Yes, sir. Practically, that is done by the assistant treasurer in New York. I know, every day, how much coin-certificates are outstanding, and how much coin there is in the subtreasury. Every day these certificates are presented for redemption and somebody else deposits coin for other certificates, and thus the thing goes on, in ebb and flow, sometimes to the amount of a million or two a day. I see nothing of it, but I see the subtreasury reports every day. One man brings gold to the subtreasury and gets certificates, and another man brings the certificates and draws out the gold.

Mr. EWING. I think I have your idea pretty clearly that your control in putting out legal-tenders or withholding them is the lever by which their convertibility is to be maintained?

Secretary SHERMAN. Yes; and then there is, too, the fact that the Secretary is under the constant eye of Congress if he abuses his powers, because a great power is less liable to be abused than a small one. The eye of the public is on the Secretary in the exercise of power of this kind, and it is not likely to be abused. If there is any sign of his abusing it Congress is always present to prevent it. The Secretary would not dare to sell bonds to raise gold for resumption while he has any notes on hand unless there is a drain for the gold. All these powers will be exercised under the eye of Congress.

Mr. EWING. If there is a drain of gold you would sell bonds?

Secretary SHERMAN. The Secretary might sell bonds, and, again, when greenbacks were abundant in the Treasury he might make a call for six per cent. bonds, as I have done. I exercised my discretion in the matter last December, and I made a mistake in making a call for \$10,000,000 of bonds which had better not have been made. I underestimated the effect of pending legislation. I did it under my discretion; but I did not sell enough bonds to redeem that call. So, the Secretary of the Treasury, administering under this law, if he found coin or greenbacks accumulating in his hands, would make a call of six per cent. bonds and would pay them off and sell four per cent. or four and a half per cent. bonds—whichever was the current bond in the market—and thus make good his money. That operation would go on without difficulty. That is the way, at least, that I would conduct it if I were in charge.

Mr. HARTZELL. I understood you to say that in order to complete your preparations for resumption additional bonds to the amount of, perhaps, fifty millions would have to be sold between now and the 1st of January.

Secretary SHERMAN. Yes; I think so.

Mr. HARTZELL. Is it your expectation that, after resumption day, you will have to continue the sale of bonds at different periods for the purpose of maintaining the specie reserve?

Secretary SHERMAN. Not at all. If I would sell any bonds at all after that, I would sell them merely for the purpose of refunding. It might be that, to meet a sudden drain, I would sell bonds in order to accumulate coin; but the very moment the drain ceased I would use the coin or the greenbacks which I had received in calling in 6 per cent bonds. Under that the whole of the public debt might be reduced to 4 per cents., if that should prove to be the ultimate rate of interest in this country.

Mr. HARTZELL. But the interest-bearing debt of the country has to be increased in order to bring about this result.

Secretary SHERMAN. Yes, in the absence of surplus revenue. There is no other way except by the increase of the public debt temporarily. We would have the coin to represent the bonds. That is all.

The conference here ended.

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APPENDIX.

APPENDIX No. 1.

Statement of gold and silver in the Treasury on the 1st of February, 1877.

.....	\$71,944,139 47		
on	8,730,150 25		
		\$80,664,279 72	
nt to credit of disbursing-officers, and outstand-			
ks	3,074,445 45		
certificates actually outstanding	50,791,240 00		
i bonds and interest	10,117,679 63		
est due and unpaid	9,993,750 26		
		73,977,108 34	
gold coin and bullion			\$6,687,171 33
	2,225,896 02		
ion	3,211,796 21		
		5,440,694 23	
anding checks		191,194 32	
silver coin and bullion			5,249,599 71
gold and silver coin and bullion			11,936,771 09

APPENDIX No. 2.

*Statement of coin and bullion in the Treasury February 1, 1878.**

Held by—	Gold coin.	Gold bullion.	Silver coin.	Silver bullion.
United States, Washington	\$397,628 39		\$201,679 74	
treasurer United States, New				
treasurer United States, Boston	92,024,604 20	\$3,367,713 26	1,171,368 14	
treasurer United States, Phila-	659,618 47		392,540 55	
treasurer United States, Saint	454,884 35		809,674 75	
treasurer United States, Saint	274,722 64		273,045 33	
treasurer United States, San-				
treasurer United States, New	1,854,963 38		146,608 35	
treasurer United States, Balti-	1,130,121 66		224,170 16	
treasurer United States, Cin-	509,154 30		166,450 22	
treasurer United States, Chi-	280,064 23		217,677 33	
.....	598,396 04		253,549 38	
delphia	1,403,416 24	637,557 34	748,546 67	\$671,116 55
Francisco	978,757 74	5,039,359 92	41,327 65	893,651 51
in City	224,154 54	73,663 61	427,894 76	214,462 31
er	3,000 00		100 00	
tes assay-office, New York	3,672,671 37	2,079,834 94	21,148 22	1,048,137 70
tes assay-office, Boine City			500 00	
tes assay-office, Charlotte			200 00	
tes assay-office, Helena			500 00	
mal Bank, Milwaukee, Wis	28,078 19			
mal Bank, Portland, Oreg	165 00			
is	104,414,331 34	11,198,151 37	5,097,181 25	2,827,368 07

as to be deducted are the following, taken from page 4 of Senate interview :	
credit of disbursing-officers and outstanding checks	\$6,169,636 60
ates actually outstanding	44,493,500 00
ls and interest	6,618,677 29
se and unpaid	4,509,705 21

\$2,416,549 10

RESUMPTION OF SPECIE PAYMENTS.

APPENDIX No. 3.

[In reply to inquiry No. 1. Letter of March 28, from Hon. A. H. Buckner.]

Statement of coin and bullion in Treasury at close of business February 23, 1878.

Held by—	Gold coin.	Gold bullion.	Silver coin.	Silver bullion.
Treasurer United States, Washington ...	\$675,899 51	.....	\$179,377 97	.....
Assistant treasurer United States, New York	99,699,528 09	\$3,367,713 26	1,407,992 53	.....
Assistant treasurer United States, Boston	663,577 50	.....	379,903 05	.....
Assistant treasurer United States, Philadelphia	467,415 70	.....	797,294 75	.....
Assistant treasurer United States, Saint Louis	276,031 00	.....	263,694 98	.....
Assistant treasurer United States, San Francisco	2,458,100 00	.....	149,260 81	.....
Assistant treasurer United States, New Orleans	1,168,719 00	.....	217,575 95	.....
Assistant treasurer United States, Baltimore	519,391 50	.....	157,218 52	.....
Assistant treasurer United States, Cincinnati	251,636 00	.....	211,828 16	.....
Assistant treasurer United States, Chicago	665,527 50	.....	248,319 12	.....
Mint, Philadelphia	2,829,834 32	556,035 45	887,057 86	1,244,000 00
Mint, San Francisco	4,045,079 73	1,887,305 36	72,920 54	904,661 65
Mint, Carson City	655,147 80	46,412 00	225,145 33	173,974 96
Mint, Denver	3,000 00	.....	100 00	.....
United States assay-office, New York	3,672,671 37	2,079,834 24	21,148 22	630,741 08
United States assay-office, Boise City .....	.....	.....	500 00	.....
United States assay-office, Charlotte .....	.....	.....	500 00	.....
United States assay-office, Helena .....	.....	.....	500 00	.....
National banks and depositaries	300,150 03	.....	456 45	.....
In transit .....	.....	.....	455,000 00	.....
Total	118,351,709 05	7,937,300 31	5,675,494 24	2,955,577 65

TREASURY UNITED STATES,
Washington, D. C., March 30, 1878.

APPENDIX No. 4.

Statement of coin and bullion in the Treasury March 23, 1878.

Date.	Offices, &c.	Gold coin and standard silver dollars.	Fractional silver coin.	Gold and silver bullion.
1878.				
March 27	Treasury of United States, Washington ..	\$676,282 68	\$958,165 65	.....
27	Assistant treasury, Baltimore	511,678 00	149,093 52	.....
27	Assistant treasury, New York	100,128,068 09	1,374,628 52	\$3,367,713
27	Assistant treasury, Philadelphia	271,109 97	791,004 75	.....
25	Assistant treasury, Boston	975,607 50	370,333 46	.....
25	Assistant treasury, Cincinnati	233,659 50	207,141 33	.....
25	Assistant treasury, Chicago	623,807 00	247,819 89	.....
25	Assistant treasury, Saint Louis	279,373 00	251,208 84	.....
23	Assistant treasury, New Orleans	1,139,747 01	213,706 76	.....
19	Assistant treasury, San Francisco	2,803,900 00	150,648 66	.....
23	National bank depositaries	2,938,910 93	.....	.....
23	Mint United States, Philadelphia	1,245,220 75	642,114 97	1,633,609 66
16	Mint United States, San Francisco	1,903,552 50	79,260 86	4,997,353 66
9	Mint United States, Carson	933,032 05	279,260 09	65,387 66
23	Mint United States, Denver	3,000 00	100 00	.....
23	United States assay-office, New York .....	.....	20,951 89	3,670,849 66
	Other small assay-offices .....	.....	1,200 00	.....
	Totals	114,666,958 97	5,736,639 19	13,664,914 66

NOTE.—Standard silver dollars included above, 454,711.

RESUMPTION OF SPECIE PAYMENTS.

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APPENDIX No. 5.

Comparison of condition of the Treasury April 1, 1877, and April 1, 1878.

Balances.	1877.	1878.
currency	\$8,184,863 58	\$751,851 35
special fund for the redemption of fractional currency		10,000,000 00
special deposit of legal-tenders for redemption of certificates of deposit	35,155,000 00	25,215,000 00
in	86,818,225 26	138,357,608 14
in certificates	46,279,400 00	57,883,400 00
in, less coin-certificates	38,538,885 26	80,474,208 14
outstanding called bonds	5,262,900 00	7,305,200 00
per outstanding coin liabilities	6,786,028 00	4,643,276 28
outstanding legal-tenders	362,656,204 00	347,848,712 00
outstanding fractional currency	23,440,512 08	16,950,115 62
outstanding silver coin	29,937,001 43	32,662,467 02
total debt, less cash in Treasury	2,074,674,126 63	2,039,723,514 31
reduction of debt for March	*14,107,016 41	2,313,614 77
reduction of debt since July 1	*24,765,218 36	20,434,708 95
market value of gold	105 00	101 25
imports (12 months ending February 28)	420,199,831 00	475,638,634 09
exports (12 months ending February 28)	603,631,538 00	637,757,892 00

* This reduction includes \$9,533,800 Geneva award bonds canceled.

TREASURY DEPARTMENT, WARRANT DIVISION.

APPENDIX No. 6.

Circulation and deposits, and specie of the State banks, 1857 and 1860.

Years.	Circulation.	Deposits and bank balances.	Total.	Specie.	Ratio of specie to—	
					Circulation.	Circulation and deposits.
					Per cent.	Per cent.
1857	\$214,778,822	\$230,351,352	\$445,130,174	\$58,348,838	27.2	13.1
1860	207,102,477	253,802,129	460,904,606	83,594,537	40.4	17.1

Compiled from statement in Finance Report, 1876, pages 204, 205.

Circulation, deposits, and cash reserve of the national banks, December 28, 1877.

LIABILITIES.	
circulation	\$299,240,475
deposits	661,573,577
Total	960,816,052
CASH RESERVE HELD.	
old coin	\$5,506,556
silver coin	4,300,274
United States gold-certificates	23,100,920
Total specie	32,907,750
legal tender notes	\$70,568,248
United States certificates for legal-tenders	26,515,000
Total legal-tenders	97,083,248
one per cent. redemption fund	15,028,340
Total cash reserve	143,019,338
Ratio of legal-tender funds to circulation	48.4 per cent.
Ratio of legal-tender funds to circulation and deposits	15.1 per cent.

RESUMPTION OF SPECIE PAYMENTS.

Circulation, deposits, and cash resources of the national banks December 23, 1877.

LIABILITIES.	
Circulation	\$299,240, 67
Deposits	661,573, 37
Total	960,814, 05
CASH RESOURCES.	
Gold coin	\$5,506,536
Silver coin	4,300,274
United States gold-certificates	23,100,930
Total specie	32,907,740
Legal tender-notes	\$70,568,248
United States certificates for legal-tenders	26,515,000
Total legal-tenders	97,083,248
Five per cent. redemption fund	15,028,340
United States bonds, par value, \$285,887,350; currency value, \$103,181,717.	405,161,717
Total cash resources	550,201, 65
Ratio of cash resources to circulation	183 + percent.
Ratio of cash resources to circulation and deposits	57.3 per cent.

Abstract of reports made to the Comptroller of the Currency, showing the condition of the national banks in the United States, including national gold banks, at the close of business on Friday, the 23rd day of December, 1877.

Resources.		Liabilities.	
Loans and discounts	\$578,053,305 95	Capital stock paid in	\$447,128,771 00
Overdrafts	3,801,438 92	Surplus fund	121,618,455 32
United States bonds to secure circulation	343,869,550 00	Other undivided profits ..	51,530,910 18
United States bonds to secure deposits ..	13,538,000 00	National bank notes outstanding* ..	299,240,475 00
United States bonds on hand	24,479,800 00	State bank notes outstanding	470,540 00
Other stocks, bonds, and mortgages ..	32,169,491 03	Dividends unpaid	1,404,178 31
Due from approved reserve agents	75,960,087 27	Individual deposits	604,512,514 52
Due from other national banks	44,123,924 87	United States deposits ..	6,522,031 08
Due from State banks and bankers	11,479,945 65	Deposits of United States disbursing officers	3,780,759 43
Real estate, furniture, and fixtures	45,511,832 25	Due to other national banks	115,773,600 58
Current expenses	8,958,903 60	Due to State banks and bankers	44,807,958 78
Premiums paid	8,841,939 09	Notes and bills rediscounted	4,654,784 51
Checks and other cash items	10,265,059 49	Bills payable	5,843,107 43
Exchanges for clearing-house	64,664,415 01		
Bills of other national banks	20,312,692 00		
Fractional cur. ency.	778,084 78		
Specie, viz:			
Gold coin	\$5,506,536.39		
Silver coin	4,300,274.31		
U. S. gold certificates ..	23,100,930.00		
Legal-tender notes	70,568,248 00		
United States certificates of deposit for legal-tender notes	26,515,000 00		
Five per cent. redemption fund with Treasurer	15,028,340 14		
Due from Treasurer other than redemption fund	1,465,236 94		
Aggregate	1,737,295,145 79	Aggregate	1,737,295,145 79

* The amount of circulation outstanding at the date named, as shown by the books of this office, was \$299,240,475; which amount includes the notes of insolvent banks, of those in voluntary liquidation, and of those which have deposited legal tender notes under the act of June 20, 1874, for the purpose of bringing their circulation.

THE TREASURY DEPARTMENT,
OFFICE COMPTROLLER OF THE CURRENCY,
Washington, February 16, 1878.

JNO. JAY KNOX,
Comptroller of the Currency.

APPENDIX No. 7.

showing the apparent and probable condition of the United States Treasury, including the proposed accumulation of \$50,000,000 coin.

	Apparent.	Probable.
Liabilities, April 1, 1878:		
for notes	\$347,848,712 00	\$340,000,000 00
certificates	57,883,400 00	57,883,400 00
for gold	4,121,146 77	4,000,000 00
for interest and interest	2,439,391 04	8,000,000 00
for certificates	25,215,000 00	25,215,000 00
for currency	16,950,115 62	
for interest	62,342 50	
Pacific Railroad interest	7,867 03	
Total	460,527,374 96	435,098,400 00
Resources, April 1, 1878:		
	132,357,608 14	188,357,608 14
	35,966,651 35	35,966,651 35
Total	174,324,459 49	224,324,459 49
Percentage of resources to liabilities	.37	.54

APPENDIX No. 8.

showing resources and liabilities of certain European banks at dates mentioned below.

Bank.	Date.	Demand liabilities.		Total.	Demand re-	Percentage of resour-	ces to lia- bilities.	Average de- preciation, per cent.
		Circulation	Deposits.		Bullion.			
England	1818	26,292,000	7,928,000	34,130,000	6,363,000	.18		2 13.2
	1820	34,299,000	4,421,000	38,720,000	8,211,000	.21		2 12.0
	1822	17,465,000	6,399,000	23,864,000	10,098,000	.42		Nil.
	1824	30,132,000	9,680,000	39,812,000	11,767,000	.30		Nil.
	1826	21,564,000	7,200,000	28,764,000	6,754,000	.23		Nil.
	1828	21,358,000	10,201,000	31,559,000	10,499,000	.33		Nil.
	1830	21,465,000	11,621,000	33,086,000	11,150,000	.33		Nil.
	1832	18,320,000	10,778,000	29,098,000	7,514,000	.26		Nil.
	1834	19,195,000	13,300,000	32,495,000	7,303,000	.22		Nil.
	1836	18,018,000	12,040,000	30,058,000	5,250,000	.17		Nil.
	1838	19,482,000	8,922,000	28,410,000	9,540,000	.33		Nil.
	1840	17,170,000	6,254,000	23,424,000	4,299,000	.18		Nil.
	1842	20,332,000	8,690,000	29,022,000	9,729,000	.34		Nil.
	1844	21,485,000	12,138,000	33,623,000	15,315,000	.45		Nil.
	1846	21,390,000	16,322,000	37,712,000	16,388,000	.43		Nil.
	1878							
France	Feb. 20	26,584,674	28,054,497	54,639,171	24,730,793	.45		Nil.
Prussia	Feb. 14	99,350,000	21,193,000	120,543,000	78,896,000	.65		
Germany	Feb. 7	30,987,000	10,311,000	41,298,000	24,750,000	.59		
Bank of Belgium	Feb. 7	13,170,000	2,330,000	15,500,000	3,991,000	.25		

APPENDIX No. 9.

estimate of the amount of gold and silver bullion and coin in the States April 1, 1878.

Gold.

United States Treasury (including bullion fund of and assay office) October 31, 1877	\$125,122,843 94
National banks (exclusive of coin-certificates) October 1877	4,867,909 18
Prussia banks	18,000,000 00
German banks (Pacific coast)	2,000,000 00
Gold county treasuries (Pacific coast)	4,000,000 00

RESUMPTION OF SPECIE PAYMENTS.

Merchants and individuals (Pacific coast).....	\$4, 000, 000 00
Unpaid deposits, United States mints.....	500, 000 00
Smelters and private refiners (exclusive of the Pacific coast)	500, 000 00
Gold bullion in California.....	1, 500, 000 00
In private hands, including bullion dealers, savings-banks, and private bankers east of the Rocky Mountains.....	15, 000, 000 00
In State banks.....	2, 000, 000 00
	<hr/>
	177, 490, 753 12
Production from October 31 to April 1.....	20, 000, 000 00
Approximate excess of imports over exports	2, 000, 000 00
	<hr/>
	199, 490, 753 12

Silver.

Fractional coin in States east of the Rocky Mountains, including trade-dollars and Mexican coin, October 31, 1877.	\$42, 000, 000
California banks	2, 000, 000
Private banks (Pacific coast).....	500, 000
State and county treasuries (Pacific coast)	500, 000
Merchants and individuals (Pacific coast)	500, 000
Silver bullion (Pacific coast).....	2, 000, 000
Silver bullion in hands of smelters and refiners east of the Rocky Mountains	1, 000, 000
	<hr/>
	48, 500, 000
Silver bullion in mints	2, 000, 000
Production from mines to April 1	15, 000, 000
	<hr/>
	65, 500, 000

I have not the data necessary to ascertain to which of the foregoing items should be credited the gain of gold and silver since October 31, 1877. It may be stated, however, that the Treasury stock has been increased, and the amount of trade and Mexican dollars which have gone into circulation may be set down at not less than 4,000,000, exclusive of about 1,200,000 trade dollars in the mints.

According to the above estimate the amount of gold coin and bullion now in the country is	\$199, 490, 753 12
And silver coin and bullion	65, 500, 000 00

Total	264, 990, 753 12
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Allowing for gold and silver used in the arts and for manufacturing purposes and possible overestimation, say \$15,000,000, the total amount of gold and silver in the country may be set down at about two hundred and fifty millions of dollars, of which about fifty millions are in the form of fractional silver, trade dollars, and Mexican coin, and \$1,200,000 in standard silver dollars.

THE PRESENT AVERAGE PRODUCTION OF GOLD AND SILVER FROM THE MINES OF THE UNITED STATES.

I have availed myself of every facility to procure full information in relation to the product of the gold and silver mines of the United States,

for the purpose of estimating approximately the present annual yield, with the following results, based upon the production for the first six months of the year and the average monthly out-turn since, so far as it was possible to ascertain the same :

State or Territory.	Gold.	Silver.	Total.
California	\$15,000,000	\$1,000,000	\$16,000,000
Nevada	18,000,000	26,000,000	44,000,000
Montana	3,200,000	750,000	3,950,000
Idaho	1,500,000	250,000	1,750,000
Utah	350,000	5,075,000	5,425,000
Colorado	3,000,000	4,500,000	7,500,000
Arizona	300,000	500,000	800,000
New Mexico	175,000	500,000	675,000
Oregon	1,000,000	100,000	1,100,000
Washington	300,000	50,000	350,000
Dakota	2,000,000	.....	2,000,000
Lake Superior .....	.....	200,000	200,000
Virginia	50,000	.....	50,000
North Carolina	100,000	.....	100,000
Georgia	100,000	.....	100,000
Other sources	25,000	25,000	50,000
Total	45,100,000	38,950,000	84,050,000

It is impossible to state with any degree of accuracy how long this large rate of production will be maintained. A gradual increase may be expected in Montana and Arizona, and there is nothing to indicate a decrease in any bullion-producing State or Territory, except in the State of Nevada, and that depends upon contingencies which to a great extent must be a matter of conjecture only. Several mines in different localities in that State have within the last year or two been opened and are producing considerable bullion, but whether they, and others which in the mean time may be discovered, will yield sufficient to make up the decrease, which, unless other ore-bodies on the Comstock shall be found, must sooner or later take place, is somewhat doubtful.

The superintendent of the mint at San Francisco has furnished, at my request, a statement, embraced in the appendix, of the yield of about thirty different mines, the bullion from which finds a market in San Francisco.

The yield of bullion from the two mines which embrace the great ore-chimney discovered in 1874 in the Comstock lode has, according to the official statement of the managers, amounted, up to October 31, 1877, to \$78,852,918.48, of which \$36,736,347.91 was gold. These mines are now producing at the rate of nearly three million dollars per month.

H. R. LINDERMAN,

Director of the Mint.

TREASURY DEPARTMENT, April 3, 1878.

RESUMPTION OF SPECIE PAYMENTS.

APPENDIX NO. 10.

Statement of imports and exports of specie (coin and bullion) during the fiscal years ended June 30, 1865, to 1877, inclusive, and the seven months ended January 31, 1878.

Fiscal years ended June 30—	Coin and bullion.					
	Exports.			Imports.	Excess of—	
	Domestic.	Foreign.	Total.		Imports.	Exports.
1865.....	\$64,618,124	\$3,025,102	\$67,643,226	\$9,810,072	.....	\$57,833,154
1866.....	82,643,374	3,400,697	86,044,071	10,700,092	.....	75,343,979
1867.....	54,976,196	5,892,176	60,868,372	22,070,475	.....	38,797,897
1868.....	83,715,975	10,038,127	93,754,102	14,188,368	.....	79,565,734
1869.....	42,915,966	14,222,414	57,138,380	19,807,876	.....	37,330,504
1870.....	43,883,802	14,271,864	58,155,666	26,419,179	.....	31,736,487
1871.....	84,403,359	14,038,629	98,441,988	21,270,024	.....	77,171,964
1872.....	72,798,240	7,079,294	79,877,534	13,743,629	.....	66,133,905
1873.....	73,905,546	10,703,028	84,608,574	21,420,937	.....	63,187,637
1874.....	59,699,686	6,930,719	66,630,405	28,454,906	.....	38,175,499
1875.....	83,857,129	8,275,013	92,132,142	20,900,717	.....	71,231,425
1876.....	50,038,691	6,467,611	56,506,302	15,936,681	.....	40,569,621
1877.....	43,134,738	13,027,499	56,162,237	40,774,414	.....	15,387,823
1877.						
July.....	4,197,923	285,641	4,483,564	1,107,814	.....	3,375,750
August.....	1,665,357	383,526	2,053,883	1,612,143	.....	411,740
September.....	2,239,416	814,195	3,053,611	3,840,382	\$756,771	.....
October.....	1,693,583	317,379	2,010,962	1,717,793	.....	293,169
November.....	1,197,733	367,121	1,564,854	2,266,083	701,229	.....
December.....	1,539,446	380,451	1,919,897	1,670,265	.....	249,632
1878.						
January.....	3,230,996	522,758	3,753,754	1,790,964	.....	1,962,790

Total for years 1865 to 1877, inclusive \$692,435,589
Average 53,264,000
Average for last three years 42,306,000
Average gold and silver product of the United States, 1870 to 1876, inclusive 71,000,000
Average excess of production over net export, 1874, 1875, and 1876, \$29,000,000; deduct
\$7,000,000 used in arts; leaving 22,000,000

EDWARD YOUNG,
Chief of Bureau.

BUREAU OF STATISTICS, March 29, 1878.

Hon. THOMAS EWING, M. C.

APPENDIX NO. 11.

Distribution of currency in the Treasury of the United States, March 28, 1878.

Date.	Office, &c.	United States notes.	National bank notes.	Currency.
1878.				
March 27	Treasurer United States, Washington.....	\$6,432,588 20	\$122,261 50	.....
27	Assistant treasurer United States, New York...	32,107,136 24	488,066 92	.....
27	Assistant treasurer United States, Baltimore...	3,481,053 00	44,478 00	.....
27	Assistant treasurer United States, Philadelphia...	4,730,620 00	38,800 00	.....
25	Assistant treasurer United States, Boston.....	3,602,000 00	206,836 00	.....
25	Assistant treasurer United States, Cincinnati...	1,322,089 00	356,000 00	.....
25	Assistant treasurer United States, Chicago.....	3,629,500 00	356,785 00	.....
25	Assistant treasurer United States, Saint Louis...	2,270,094 00	.....	.....
23	Assistant treasurer United States, New Orleans...	1,599,000 00	163,000 00	.....
19	Assistant treasurer United States, San Francisco...	1,127,300 00	470,000 00	.....
9	Depository United States, Tucson.....	370,610 00	.....	.....
	National bank depositaries.....	.....	.....	\$6,065,059 60
23	Mint United States, Philadelphia.....	90,538 00	.....	.....
	Total.....	60,729,529 04	2,246,227 42	6,065,059 60

RESUMPTION OF SPECIE PAYMENTS.

73

APPENDIX No. 12.

[From Dr. Linderman's official report.]

Annual product of gold and silver from the American mines.

Year.	Gold.	Silver.	Total.
1870	\$50,000,000	\$16,000,000	\$66,000,000
1871	43,500,000	23,000,000	66,500,000
1872	36,000,000	28,750,000	64,750,000
1873	36,000,000	35,750,000	71,750,000
1874	40,000,000	32,000,000	72,000,000
1875	40,000,000	32,000,000	72,000,000
1876	44,300,000	41,500,000	85,700,000
1877 (Wells, Fargo & Co.'s estimate)			100,000,000
Exports of specie in the fiscal years 1872, 1873, and 1874, in excess of imports for same years			\$167,436,981
Average for each year			55,812,000
Excess of exports for the years 1875, 1876, and 1877			127,188,797
Average for each year			42,396,000
Excess since July 1, 1877, to January 31, 1878, inclusive			4,845,081

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(Pamphlet)
SUPPLEMENT

LAWS

OF THE

UNITED STATES

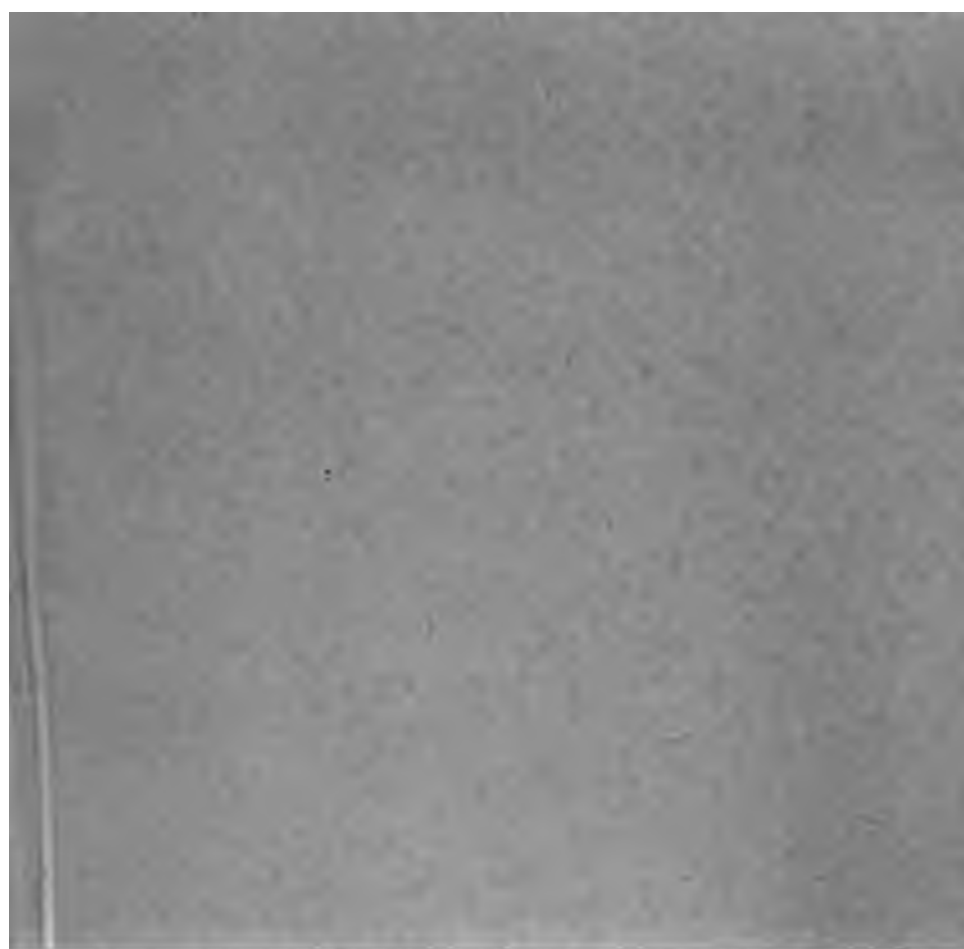
RELATING TO THE

COINAGE



WASHINGTON
GOVERNMENT PRINTING OFFICE

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LAW S *et*

UNITED STATES

RELATING TO THE

COINAGE



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1912

~~Econ 4605.5.2~~

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JUN 20 1912

From the
U. S. Government.

TREASURY DEPARTMENT.

Document No. 2642.

Director of the Mint.

PHILIPPINE GOVERNMENT.

ACTMENT OF THE PHILIPPINE COMMISSION.

[From the Manila Times, Friday, Mar. 27, 1903.]

An Act Authorizing the issue of three million dollar of certificates of indebtedness under and by authority of section six of the act of Congress entitled "An act relating to currency for the Philippine Islands," approved March second, nineteen hundred and three, and making an appropriation of two million dollars in money of the United States immediately available for the purpose of purchasing silver bullion with which to coin silver Philippine pesos in accordance with section five of the said act of Congress approved March second, nineteen hundred and three.

Authority to issue \$3,000,000 certificates of indebtedness.

Authority of the United States, be it enacted by the Philippine Commission, that:

SECTION 1. With the approval of the Secretary of the Treasury, by the mints of the United States, one million silver Philippine pesos per month, of the weight of four hundred and sixteen grains each, with a fineness such that of one thousand parts by weight nine hundred shall be of pure silver and one hundred of copper, under and by virtue of section two of the act of Congress entitled "An act relating to currency for the Philippine Islands," approved March second, nineteen hundred and three, and said monthly coinage of two million silver Philippine pesos may continue, with the approval of the Secretary of War, until there shall have been coined twenty-four millions of said pesos.

Coinage of 2,000,000 silver pesos per month.

Monthly coinage to continue until 24,000,000 pesos have been coined.

SECTION 2. The Secretary of War is hereby authorized, on behalf of the government of the Philippine Islands, to issue certificates of indebtedness to the amount of three million dollars in money of the United States bearing interest at a rate not to exceed four per cent annually, payable at periods of three months or not later than one year from date of issue, in installments of one thousand dollars in currency of the United States, and redeemable in gold coin of the United States, which certificates of indebtedness shall be distributed by the Secretary of War at such favorable rate of discount or premium as he may be able to secure, the proceeds thereof to be deposited with the Guaranty National Bank, the authorized depository of the government of the Philippine Islands, to the credit of the Philippine Islands. These certificates are authorized by, and shall be issued in accordance with, section six of said act of Congress approved March second, nineteen hundred and three, and shall state upon their face that they have been issued in accordance with the terms of said section for the purpose of purchasing silver bullion in execution of the provisions of said act of Congress and by authority of the Philippine Commission.

Secretary of War authorized to issue certificates of indebtedness.

To report to auditor and treasurer amount of certificates issued.

SEC. 3. The Secretary of War shall report to the auditor and the treasurer of the Philippine Islands the amount of such certificates of indebtedness as are described in the previous sections, which he has issued under the authority thereof, the numbers and denominations thereof, the rate of interest to be paid thereon, the time when payable, the premium, if any, at which they were issued, and the total proceeds therefrom, and the same shall be made a matter of record in the offices of the auditor and the treasurer of the Philippine Islands.

Funds for the purchase of silver.

SEC. 4. By way of anticipating the proceeds of the foregoing loan, and to avoid delay in the purchase of the silver bullion and the coinage of the silver Philippine pesos, as provided in the first section hereof, there is hereby appropriated and made immediately available out of any funds in the insular treasury not otherwise appropriated, the sum of two million dollars, in money of the United States, or so much thereof as may be necessary, to be used for the purpose of purchasing silver bullion with which to enable the Secretary of the Treasury, through the mints of the Government of the United States, to coin the silver Philippine pesos of the size, weight, and fineness and of the character described, and prescribed in section two of the act of Congress entitled "An act relating to currency for the Philippine Islands," approved March second, nineteen hundred and three, and in section one of this act; and the proceeds of the certificates of indebtedness so issued, as authorized in section two hereof, when deposited to the credit of the treasury of the Philippine Islands, shall replace in said treasury the sum by this section advanced and appropriated for the purposes herein declared.

SEC. 5. The public good requiring the speedy enactment of this bill, the passage of the same is hereby expedited in accordance with section two of "An act prescribing the order of procedure by the commission in the enactment of laws," passed September twenty-sixth, nineteen hundred.

SEC. 6. This act shall take effect on its passage.

Enacted March 23, 1903.

March 18, 1904. CHAP. 716.—*An Act Making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June thirtieth, nineteen hundred and five, and for other purposes.*
(H. R. 9480.)
[Public, No. 57.]

Legislative, executive, and judicial appropriations.
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums be, and the same are hereby, appropriated, out of any money in the Treasury not otherwise appropriated, in full compensation for the service of the fiscal year ending June thirtieth, nineteen hundred and five, for the objects hereinafter expressed, namely:

* * * * *

Provided, That whenever the Secretary of the Treasury shall determine that it is necessary for the proper operations of the mint at Denver,¹ Colorado, * * *

Proviso.
Additional
force.

Until the mint and assay office at Denver shall become a coinage mint in accordance with law, the present mint shall be continued as an assay office, and the business now transacted at said mint shall be continued therein, and the appropriations heretofore and herein made shall be applicable to such mint.

Assay office to
continue until
coinage mint is
established. Vol.
28, p. 673.

Approved, March 18, 1904.

CHAP. 1253, 1904.—*An Act To authorize the Government of the United States to participate in celebrating the one hundredth anniversary of the exploration of the Oregon country by Captains Meriwether Lewis and William Clark in the years eighteen hundred and four, eighteen hundred and five, and eighteen hundred and six, and for other purposes.* [Public, No. 111.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 6. That upon the approval of this act the Secretary of the Treasury shall, upon the request of the Lewis and Clark Centennial and American Pacific Exposition and Oriental Fair Company, cause to be coined at the mints of the United States not to exceed two hundred and fifty thousand gold dollars, of legal weight and fineness, to be known as the Lewis and Clark Exposition gold dollar, struck in commemoration of said exposition. The words, devices, and designs upon said gold dollars shall be determined and prescribed by the Secretary of the Treasury, and all provisions of law relative to the coinage and legal-tender quality of all other gold coin shall be applicable to the coin issued under and in accordance with the provisions of this act. That the said coins shall be disposed of by the Secretary of the Treasury to the said Lewis and Clark Centennial and American Pacific Exposition and Oriental Fair Company at par, under rules and regulations and in amounts to be prescribed by him. That medals with appropriate devices, emblems, and inscriptions commemorative of said Lewis and Clark Centennial Exposition and of the awards to be made to the exhibitors thereat shall be prepared by the Secretary of the Treasury at some mint of the United States for the board of directors of said exposition company, subject to the provisions of the fifty-second section of the coinage act of eighteen hundred and ninety-three, and upon the payment of a sum not less than the cost thereof; and all provisions, whether penal or otherwise, of said coinage

Memorial gold
dollar. Limit.

Designs, etc.

Medals.

R. S., sec. 3551,
p. 702.

¹ Coining operations began February 1, 1906.

COINAGE LAWS OF THE UNITED STATES.

act against the counterfeiting or imitating of coins of the United States shall apply to the medals issued under this act.

* * * * *

Approved, April 13, 1904.

[Public, No. 194.] CHAP. 1762, 1904. — *An Act Making appropriations for sundry civil expenses of the Government for the fiscal year ending June thirtieth, nineteen hundred and five, and for other purposes.*

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums be, and the same are hereby, appropriated, for the objects hereinafter expressed, for the fiscal year ending June thirtieth, nineteen hundred and five, namely:

* * * * *

Louisiana Purchase Exposition.

Medals for, to be coined.

Vol. 31, p. 1440.

Duplicates to holders.

SEC. 5. That the Secretary of the Treasury be, and he is hereby, directed to prepare or have prepared suitable dies with appropriate devices, emblems, and inscriptions commemorative of the Louisiana Purchase Exposition, celebrating the one hundredth anniversary of the purchase of the Louisiana Territory; from which dies, under the supervision of the said Secretary of the Treasury, there shall be coined, at some mint of the United States, medals to be awarded by the said Louisiana Purchase Exposition Company to exhibitors in accordance with the provisions of the act of Congress entitled "An act to provide for celebrating the one hundredth anniversary of the purchase of the Louisiana Territory by the United States," and so forth, approved March third, nineteen hundred and one; that the devices, emblems, and inscriptions for said dies and medals shall be furnished by the Louisiana Purchase Exposition Company, and said medals shall be made and coined from such material as the said exposition company may, at its own expense, furnish; and authority may be granted by the Secretary of the Treasury to the holder of any medal properly awarded to any exhibitor to have duplicates thereof made, at any time, at any of the mints of the United States, from gold, silver, or bronze, at the expense of the person desiring the same; said medals shall be coined and the dies therefor prepared subject to the provisions of the fifty-second section of the coinage act of eighteen hundred and ninety-three (seventy-three), and all the provisions, whether penal or otherwise, of said coinage act against counterfeiting or imitating of coins of the United States shall apply to the medals struck and used under the provisions of this act.

Approved, April 28, 1904.

CHAP. 720.—*An Act To prevent the use of devices calculated to convey the impression that the United States Government certifies to the quality of gold or silver used in the arts.*

Feb. 21, 1905.
(H. R. 15578.)

[Public, No. 86.]
United States
assay, etc., stamp-
ing words of on
gold, etc., unlaw-
ful.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it shall be unlawful for any person, partnership, association, or corporation engaged in commerce among the several States, Territories, District of Columbia, and possessions of the United States, or with any foreign country, to stamp any gold, silver, or goods manufactured therefrom, and which are intended and used in such commerce, with the words "United States assay," or with any words, phrases, or devices calculated to convey the impression that the United States Government has certified to the fineness or quality of such gold or silver, or of the gold or silver contained in any of the goods manufactured therefrom. Each and every such stamp shall constitute a separate offense.

SEC. 2. That every person, partnership, association, or corporation violating the provisions of this act, and every officer, director, or managing agent of such partnership, association, or corporation having knowledge of such violation and directly participating in such violation or consenting thereto, shall be deemed guilty of a misdemeanor, and, upon conviction, be punished with a fine of not more than five thousand dollars or imprisonment for not more than one year, or both, at the discretion of the court.

Penalty for vio-
lation.

SEC. 3. That any gold, silver, or goods manufactured herefrom after the date of the passage of this act, bearing any of the stamps, words, phrases, or devices prohibited to be used under section one hereof, and being in the course of transportation from one State to another, or to or from a Territory, the District of Columbia, or possessions of the United States, shall be forfeited to the United States, and may be seized and condemned by like proceedings as those provided by law for the forfeiture, seizure, and condemnation of property imported into the United States contrary to law.

Seizure, forfeit-
ure, etc.

Approved, February 21, 1905.

CHAP. 1861.—*An Act Providing for the purchase of metal and the coinage of minor coins, and the distribution and redemption of said coins.*

Minor coins.
Purchase of metal
for.
R. S., secs. 3528,
3529, p. 698,
amended.
[Public, No. 122.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That sections thirty-five hundred and twenty-eight and thirty-five hundred and twenty-nine of the Revised Statutes be, and the same are hereby, amended so as to read as follows:

"SEC. 3528. For the purchase of metal for the minor coinage authorized by this Act a sum not exceeding two hundred thousand dollars in lawful money of the United

Amount of pur-
chase increased.
R. S., sec. 3528,
p. 698, amended.

Coinage at San Francisco, Denver, and New Orleans mints added.

Use of seigniorage.

Delivery and redemption of minor coins. R. S., sec. 3529, p. 698, amended.
Mints added.
Minimum amount.

States shall, upon the recommendation of the Director of the Mint, and in such sums as he may designate, with the approval of the Secretary of the Treasury, be transferred to the credit of the superintendents of the mints at Philadelphia, San Francisco, Denver, and New Orleans, at which establishments, until otherwise provided by law, such coinage shall be carried on. The superintendents, with the approval of the Director of the Mint as to price, terms, and quantity, shall purchase the metal required for such coinage by public advertisement and the lowest and best bid shall be accepted, the fineness of the metals to be determined on the mint assay. The gain arising from the coinage of such metals into coin of a nominal value, exceeding the cost thereof, shall be credited to the special fund denominated the minor-coinage profit fund; and this fund shall be charged with the wastage incurred in such coinage, and with the cost of distributing said coins, as hereinafter provided. The balance remaining to the credit of this fund, and any balance of the profits accrued from minor coinage under former Acts, shall be, from time to time, and at least twice a year, covered into the Treasury of the United States.

"Sec. 3529. The minor coins authorized by this Act may, at the discretion of the Director of the Mint, be delivered in any of the principal cities and the towns of the United States, at the cost of the mints, for transportation, and shall be exchangeable at par at the mints named, at the discretion of the superintendents for any other coins of copper, bronze, or copper-nickel heretofore authorized, and it shall be lawful for the Treasurer and the several assistant treasurers and depositaries of the United States to redeem, in lawful money, under such rules as may be prescribed by the Secretary of the Treasury, all copper, bronze, and copper-nickel coins authorized by law when presented in sums of not less than twenty dollars; and whenever, under this authority these coins are presented for redemption in such quantity as to show the amount outstanding to be redundant, the Secretary of the Treasury is authorized and required to direct that such coinage shall cease until otherwise authorized by him."

Approved, April 24, 1906.

May 17, 1906.
(H. R. 13783.)
[Public, No. 173.]

CHAP. 2471.—An Act To provide souvenir medallions for The Zebulon Montgomery Pike Monument Association.

Zebulon Montgomery Pike Monument Association, Souvenir medallions for, authorized.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purpose of aiding in securing a proper and adequate celebration of the one hundredth anniversary of the southwest expedition of Lieutenant Zebulon Montgomery Pike and of the exploring of the territory of the upper Arkansas Valley, including portions of the

ates of Kansas and Colorado and of the Territory of New Mexico, said celebration to be held at some proper place in the immediate vicinity of Pikes' Peak, Colorado, in the year nineteen hundred and six, the Secretary of the Treasury is hereby authorized to have prepared, in the United States Mint at Philadelphia, two dies for medallions, of such design and size as may be designated by The Zebulon Montgomery Pike Monument Association, a corporation organized under the laws of the State of Colorado, and approved by him; and he shall have made and struck, at some one of the mints of the United States, from these dies such number of medallions of silver or bronze, not to exceed in the aggregate one hundred thousand, and in such quantities as may be requested by the said monument association, the net proceeds from the sale of the said proposed medallions to be applied exclusively to the fund to defray the expenses of construction and erection of a monument to said Pike and of the exercises in dedication thereof under the auspices of the said monument association.

Maximum
number.

Proceeds of sale.

SEC. 2. That the material from which said proposed medallions are to be made shall be furnished by the Secretary of the Treasury on or before the first day of August, nineteen hundred and six, in such amounts and in such proportions as the president of said The Zebulon Montgomery Pike Monument Association may, in writing request, and the Secretary of the Treasury shall deliver said medallions, when made, to the president of said The Zebulon Montgomery Pike Monument Association upon the payment to the Secretary of the Treasury of an amount not less than the cost thereof.

Material.

Payment
cost. of

Approved, May 17, 1906.

HAP. 2558.—*An Act To amend section six of an Act entitled "An Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," approved March fourteenth, nineteen hundred.*

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section six of an Act approved March fourteenth, nineteen hundred, entitled "An Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," be amended by striking from the first proviso of said section six the words "one hundred" and inserting in lieu thereof the word "fifty," and by adding, after the words "shall be suspended," the following: "but the Secretary of the Treasury is directed to coin, within reasonable time, any and all gold bullion held in said reserve fund in excess of fifty million dollars," making the first proviso of said section six read as follows:

Gold certifi-
cates, vol. 31, p.
47, amended.
[Public. No. 180.]

Provided.
Issue to cease if
coin in reserve is
below \$50,000,000.

Bullion to be
coined.

"*Provided*, That whenever and so long as the gold coin held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below fifty million dollars the authority to issue certificates as herein provided shall be suspended, but the Secretary of the Treasury is directed to coin, within reasonable time, any and all gold bullion held in said reserve fund in excess of fifty million dollars."

Approved, May 26, 1906.

June 13, 1906.
34 Stat L., 260.
[Public, No. 226.]

CHAP. 3289.—*An Act Forbidding the importation, exportation, or carriage in interstate commerce of falsely or spuriously stamped articles of merchandise made of gold or silver or their alloys, and for other purposes.*

Gold and silver
articles, inter-
state, etc., trans-
mission of falsely
stamped forbid-
den.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it shall be unlawful for any person, firm, corporation, or association, being a manufacturer of or wholesale or retail dealer in gold or silver jewelry or gold ware, silver goods or silverware, or for any officer, manager, director, or agent of such firm, corporation, or association to import or export or cause to be imported into or exported from the United States for the purpose of selling or disposing of the same, or to deposit or cause to be deposited in the United States mails for transmission thereby, or to deliver or cause to be delivered to any common carrier for transportation from one State, Territory, or possession of the United States, or the District of Columbia, to any other State, Territory, or possession of the United States, or to said District, in interstate commerce, or to transport or cause to be transported from one State, Territory, or possession of the United States, or from the District of Columbia, to any other State, Territory, or possession of the United States, or to said District, in interstate commerce, any article of merchandise manufactured after the date when this Act takes effect and made in whole or in part of gold or silver, or any alloy of either of said metals, and having stamped, branded, engraved, or printed thereon, or upon any tag, card, or label attached thereto, or upon any box, package, cover, or wrapper in which said article is incased or inclosed, any mark or word indicating or designed or intended to indicate that the gold or silver or alloy of either of said metals in such article is of a greater degree of fineness than the actual fineness or quality of such gold, silver, or alloy, according to the standards and subject to the qualifications set forth in sections two and three of this Act.

Gold articles.
Deviation from
marked fineness
allowed.

SEC. 2. That in the case of articles of merchandise made in whole or in part of gold or of any of its alloys so imported into or exported from the United States, or so deposited in the United States mails for transmission, or so delivered for transportation to any common carrier, or so transported or caused to be transported as specified in the

tion of this Act, the actual fineness of such gold or shall not be less by more than one-half of one carat the fineness indicated by the mark stamped, branded, or printed upon any part of such article, or upon tag, card, or label attached thereto, or upon any box, cover, or wrapper in which such article is incased or enclosed; except that in the case of watch cases and flatware made of gold or of any of its alloys, the actual fineness of such gold or alloy shall not be less by more than one-thousandth parts than the fineness indicated by the mark stamped, branded, engraved, or printed upon the article, or upon any tag, card, or label attached thereto, or upon any box, package, cover, or wrapper in which such article is incased or inclosed: *Provided*, That the test for the ascertainment of the fineness of any article mentioned in this section, according to the foregoing standards, the part of the article taken for the test, or assay shall be such part or portion as does not contain or have attached thereto any solder or alloy of inferior fineness used for brazing or uniting the parts of the article: *Provided, further*, That in the case of any article mentioned in this section, in addition to the foregoing tests and standards, the actual fineness of the entire quantity of gold or of its alloys contained in such article, including all solder and alloy of inferior fineness used for brazing or uniting the parts of such article (all such gold, silver, and solder being assayed as one piece), shall not be less than one carat than the fineness indicated by the mark stamped, branded, engraved, or imprinted upon the article, or upon any tag, card, or label attached thereto, or upon any box, package, cover, or wrapper in which such article is incased or inclosed, it being intended that the foregoing standards of fineness and the tests or methods for ascertaining the same provided in this section for articles mentioned therein shall be concurrent and not alternative.

*Provision.
Tests.*

Actual fineness
required.

3. That in the case of articles of merchandise made wholly or in part of silver or any of its alloys so imported into the United States from the United States, or so deposited in the United States mails for transmission, or so delivered for transportation to any common carrier, or so transported or caused to be transported as specified in the first section of this Act, the actual fineness of the silver or any part thereof of which such article is wholly or partly composed shall not be less by more than four one-thousandths than the actual fineness indicated by any mark stamped, branded, engraved, or printed upon any part of the article, or upon any tag, card, or label attached thereto, or upon any box, package, cover, or wrapper in which such article is incased or inclosed; and that no such article, tag, card, or label attached thereto, or box, cover, or wrapper in which such article is incased or enclosed, shall be marked, stamped, branded, engraved, or printed with the word "sterling" or "sterling silver"

Silver articles.
Deviation from
marked fineness
allowed.

"Sterling"
goods.

or any colorable imitation thereof, unless such article or parts thereof purporting to be silver contains nine hundred and twenty-five one-thousandth parts pure silver; and that no such article, tag, card, label, box, package, cover, or wrapper shall be marked, stamped, branded, engraved, or printed with the words "coin" or "coin silver" or colorable imitation thereof unless such article or parts thereof purporting to be silver contains nine hundred one-thousandth parts pure silver: *Provided*, That in the case of all such articles whose fineness is indicated by the word "sterling" or the word "coin" there shall be allowed a divergence in the fineness of four one-thousandth parts from the foregoing standards: *Provided*, That in any test for the ascertainment of the fineness of any such article mentioned in this section according to the foregoing standards the part of the article taken for the test, analysis, or assay shall be such part or portion as does not contain or have attached thereto any solder or alloy of inferior fineness used for brazing or uniting the parts of such article: *Provided further*, That in the case of any article mentioned in this section, in addition to the foregoing tests and standards, the actual fineness of the entire quantity of silver or of its alloys contained in such article, including all solder and alloy of inferior fineness used for brazing or uniting the parts of such article (all such silver, alloys, and solder being assayed as one piece), shall not be less by more than ten one-thousandth parts than the fineness indicated by the marked, stamped, branded, engraved, or imprinted upon such article, or upon any tag, card, or label attached thereto, or upon any box, package, cover, or wrapper in which such article is incased or inclosed, it being intended that the standards of fineness and the tests or methods for ascertaining the same provided in this section for articles mentioned therein shall be concurrent and not alternative.

Tests. *Actual fineness required.* **Plated goods.** *Description required.*

SEC. 4. That in the case of articles of merchandise made in whole or in part of an inferior metal, having deposited or plated thereon or brazed or otherwise affixed thereto a plating, covering, or sheet composed of gold or silver, or of an alloy of either of said metals, and known in the market as rolled gold plate, gold plate, gold filled, silver plate, or gold or silver electroplate, or by any similar designation, so imported into or exported from the United States, or so deposited in the United States mails for transmission, or so delivered to any common carrier, or so transported or caused to be transported as specified in the first section of this Act, no such article, nor any tag, card, or label attached thereto, nor any box, package, cover, or wrapper in which such article is incased or inclosed, shall be stamped, branded, engraved, or imprinted with any word or mark usually employed to indicate the fineness of gold, unless such word or mark be accompanied by other words plainly indicating that such article or part thereof is made of rolled gold plate, gold plate, or gold electroplate, or is gold filled, as the case may be, and no such article, nor any

tag, card, or label attached thereto, nor any box, package, cover, or wrapper in which such article is incased or inclosed, shall be stamped, branded, engraved, or imprinted with the word "sterling" or the word "coin," either alone or in conjunction with other words or marks.

Use "sterling" or "coin" forbidden.

SEC. 5. That each and every person, firm, corporation, or association, being a manufacturer of or a wholesale or retail dealer in gold or silver jewelry, gold ware, silver wares, or silverware, who or which shall knowingly violate any of the provisions of this Act, and every officer, manager, director, or managing agent of any such corporation or association having knowledge of such violation and directly participating in such violation or consenting thereto, shall be deemed guilty of a misdemeanor, and upon conviction thereof in any court of the United States having jurisdiction of crimes within the district in which such violation was committed or through which has been introduced the transportation of the article in respect to which such violation has been committed, shall be punished by a fine of not more than five hundred dollars or imprisonment for not more than three months, or both, at the discretion of the court. Whenever the offense is begun in one jurisdiction and completed in another it may be dealt with, inquired of, tried, determined, and punished in either jurisdiction in the same manner as if the offense had been actually and wholly committed therein.

Punishment for violation.

Jurisdiction.

SEC. 6. That the expression "article of merchandise" used in this Act shall signify any goods, wares, works of art, commodity, or other thing which may be lawfully sold or offered for sale.

"Article of merchandise" defined.

SEC. 7. That all articles of merchandise to which this Act applies which shall have been transported into any State, Territory, District, or possession of the United States, and shall remain therein for use, sale, or storage, shall, upon arrival in such State, Territory, District, or possession, be subject to the operation of all the laws of such State, Territory, District, or possession of the United States to the same extent and in the same manner as though such articles of merchandise had been produced in such State, Territory, District, or possession, and shall not be exempt therefrom by reason of being introduced therein in original packages or otherwise.

Original packages not exempt from State, etc., laws.

SEC. 8. That this Act shall take effect one year after the date of its passage.

In effect in one year.

Approved, June 13, 1906.

AP. 3521.—*An Act To amend an Act approved March second, nineteen hundred and three, entitled "An Act to establish a standard of value and to provide for a coinage system in the Philippine Islands."*

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That with the approval of the President of the United States, the Government of the Philippine Islands is hereby authorized, whenever in its opinion such action is desirable, in

Philippine coinage.
[Public, No. 274.]

Change in weight and fineness, silver coins. Vol. 32, p. 953, subsidiary coins.

Proviso.
Minimum fineness.

Silver certificates. Vol. 32, p. 954; vol. 36, p. 697.

Issue of certificates for pesos deposited. Vol. 33, p. 697.
Amended.

Proviso.
Substitution of United States gold for reserve.
Maximum amount.

order to carry out the provisions of section six of the Act approved March second, nineteen hundred and three, entitled "An Act to establish a standard of value and to provide for a coinage system in the Philippine Islands," to change the weight and fineness of the silver coins authorized by said Act, and may in its discretion provide a weight and fineness proportionately less for subsidiary coins than for the standard Philippine pesos, and may also in its discretion recoin any of the existing coins of the Philippine Islands at the new weight and fineness when such coins are received into the Treasury or into the gold-standard fund of the Philippine Islands: *Provided*, That the weight and fineness of the silver peso to be coined in accordance with the provisions of this section shall not be reduced below seven hundred parts of pure silver to three hundred of alloy.

SEC. 2. That section eight of an Act of Congress approved March second, nineteen hundred and three, entitled "An Act to establish a standard of value and to provide for a coinage system in the Philippine Islands," as amended by section ten of an Act approved February sixth, nineteen hundred and five, is hereby further amended to read as follows:

"SEC. 8. That the treasurer of the Philippine Islands is hereby authorized, in his discretion, to receive at the treasury of the government of the said islands or any of its branches deposits of the standard silver coins of one peso authorized by this Act to be coined, in sums of not less than twenty pesos, Philippine currency, and to issue certificates therefor in denominations of not less than two pesos nor more than five hundred pesos, and coin so deposited shall be retained in the treasury and held for the payment of such certificates on demand, and used for no other purpose. Such certificates shall be receivable for customs, taxes, and for all public dues in the Philippine Islands, and when so received may be reissued, and when held by any banking association in said islands may be counted as a part of its lawful reserve: *Provided*, That the treasurer of the Philippine Islands, with the approval of the governor general, may substitute for any part of such silver pesos hereafter deposited, gold coin of the United States legally equivalent in value, and redeem the certificates hereafter issued in either silver pesos or such gold coin of equivalent value at the option of the Treasurer: *Provided further*, That the amount of gold coin held in such reserve shall not at any time exceed sixty per centum of the total amount of certificates outstanding."

Approved, June 23, 1906.

914.—*An Act Making appropriations for sundry civil expenses of Government for the fiscal year ending June thirtieth, nineteen hundred and seven, and for other purposes.* June 30, 1906.
(H. R. 19844).
[Public, No. 383.]

It enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Sundry civil expenses appropriations.
lowing sums be, and the same are hereby, appropriated for the objects hereinafter expressed, for the fiscal year ending June thirtieth, nineteen hundred and seven,
Y:

* * * * *
t medals with appropriate devices, emblems, and Medals to be made at mint.
tions commemorative of said Jamestown Tercentennial Exposition and of the awards to be made to the victors thereat and to successful contestants in aquatic sports. Other contests shall be prepared for the Jamestown Exposition Company by the Secretary of the Treasury at the request of the United States, subject to the provisions of the fifty-second section of the coinage Act of eighteen hundred and ninety-three (1873), upon the payment by the Jamestown Exposition Company of a sum equal to the cost thereof; and authority may be given by the Secretary of the Treasury to the holder of a medal properly presented to him to have duplicates thereof made at any of the mints of the United States from gold, silver, or bronze upon the payment by him for the same of a sum equal to the cost thereof.
* * * * *

Approved June 30, 1906.

4.—*An Act Refining the weight and fineness of the silver coins of the Philippine Islands for the purpose of preventing the melting and exportation thereof as a result of an appreciation in the price of silver, providing for the recoining of existing silver coins of the Philippine Islands at the same weight and fineness, to have the same value in gold as those of corresponding denominations authorized by the act of Congress approved March second, nineteen hundred and three, and prescribing a plan for expediting the ready circulation of the new coins.* Recoinage of existing silver coins.

authority of the United States, be it enacted by the Philippine Commission, that:

SECTION 1. Pursuant to the authority given in the act of Congress approved June twenty-third, nineteen hundred and six, entitled "An act to amend an act approved March second, nineteen hundred and three, and 'An act to establish a standard of value and provide for a coinage system in the Philippine Islands,'" and with the approval of the President of the United States, it is hereby enacted that for the purpose of preventing the melting and exportation of the silver of the Philippine Islands as a result of the high price of silver, the weight and fineness of the silver coins of the Philippine Islands hereafter coined shall be as follows:
peso shall contain twenty grams of silver eight hundred thousandths fine;
Change in fineness of silver coins.

The fifty-centavo piece shall contain ten grams of silver seven hundred and fifty thousandths fine;

The twenty-centavo piece shall contain four grams of silver seven hundred and fifty thousandths fine;

The ten-centavo piece shall contain two grams of silver seven hundred and fifty thousandths fine.

Alloy.

The alloy of the above-mentioned coins shall be copper.

SEC. 2. From time to time, in the discretion of the Philippine Commission, the existing silver coins of the Philippine Islands shall be re coined at the weight and fineness established by this act when such coins are received into the treasury or into the gold-standard fund of the Philippine Islands, and all such coins shall have the same value in gold as those of the corresponding denominations authorized by the act of Congress approved March second, nineteen hundred and three, hereinbefore cited, and all the provisions of existing law applying to the silver coins authorized by said act of Congress approved March second, nineteen hundred and three, shall apply to the coins authorized by this act, except as herein otherwise provided.

SEC. 3. The recoinage shall be effected at one or more of the United States mints, and all expenses connected therewith shall be chargeable against the gold-standard fund.

New coins to be received for payment of taxes.

SEC. 4. For the purpose of expediting the ready circulation of the aforementioned coins, the insular treasurer shall prepare a circular which shall be translated into the various languages and dialects of the Philippine Islands and distributed throughout the islands. Said circular shall explain the reason for the recoinage and shall inform the public that the new coins will be received in payment of all taxes and Government dues, and will be legal tender for private debts as the equivalent of the old coins; that they will be receivable in Manila for the purchase of gold drafts on the same terms as the old coins, and that they may be exchanged on demand at the insular treasury in Manila and at the various provincial treasuries throughout the islands for silver certificates, and if desired, for nickel and copper coins.

The insular treasurer is hereby directed to supply the various provincial treasuries with sufficient funds out of the gold-standard fund to enable them to comply with the requirements of this section, and all expenses connected therewith shall be a proper charge against the gold-standard fund.

SEC. 5. The public good requiring the speedy enactment of this bill, the passage of the same is hereby expedited in accordance with section two of "An act prescribing the order of procedure by the commission in the enactment of laws," passed September twenty-sixth, nineteen hundred.

SEC. 6. This act shall take effect on its passage.

Enacted December 6, 1906.

CHAP. 2013.—*An Act To amend the national banking act, and for other purposes.*

March 4, 1907.
(H. R. 13566.)

[Public, No. 248.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section six of an act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes, approved March fourteenth, nineteen hundred, be, and the same is hereby, amended to read as follows:

Currency act,
vol. 31, p. 47.

"SEC. 6. That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin with the Treasurer, or any assistant treasurer of the United States in sums of not less than twenty dollars, and to issue gold certificates therefor in denominations of not less than ten dollars, and the coin so deposited shall be retained in the Treasury and held for the payment of such certificates on demand, and used for no other purpose. Such certificates shall be receivable for customs, taxes, and all public dues, and when so received may be issued, and when held by any national banking association may be counted as a part of its lawful reserve: *Provided*, That whenever and so long as the gold coin and bullion held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below one hundred million dollars the authority to issue certificates as herein provided shall be suspended: *And provided further*, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed sixty million dollars the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for: *And provided further*, That of the amount of such outstanding certificates one-fourth at least shall be in denominations of fifty dollars or less: *And provided further*, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of ten thousand dollars, payable to order. And section fifty-one hundred and ninety-three of the revised Statutes of the United States is hereby repealed."

Gold certificates issued for deposits of gold coin.

Denomination reduced. Vol. 31, p. 47, amended.

Provisos.

Suspension of issue on reduction of reserve fund. Ante, p. 202.

On increase of silver certificates, etc., in the Treasury.

Denominations of outstanding certificates, large notes.

R. S., sec. 5193, p. 1004, repealed.

Treasury notes. Issue when deficiency exists in small silver certificates. Vol. 31, p. 47.

SEC. 2. That whenever and so long as the outstanding silver certificates of the denominations of one dollar, two dollars, and five dollars, issued under the provisions of section seven of an act entitled "An act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," approved March fourteenth, nineteen hundred, shall be, in the opinion of the Secretary of the Treasury, insufficient to meet the public demand therefor, he is hereby authorized to issue United States notes of the denominations of one dollar, two dollars, and five dollars, and upon the issue of United States notes of such denominations an equal amount of

Higher denominations to be retired.

Proviso.
Aggregate
amount.

National - bank
issue not affected.

United States notes of higher denominations shall be retired and canceled: *Provided, however,* That the aggregate amount of United States notes at any time outstanding shall remain as at present fixed by law: *And provided further,* That nothing in this act shall be construed as affecting the right of any national bank to issue one-third in amount of its circulating notes of the denomination of five dollars, as now provided by law.

R. S., sec. 5153,
p. 996, amended.

SEC. 3. That section fifty-one hundred and fifty-three of the Revised Statutes be amended to read as follows:

National banks
may be depositaries
of all public
moneys.

"SEC. 5153. All national banking associations, designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, under such regulations as may be prescribed by the Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. The Secretary of the Treasury shall require the associations thus designated to give satisfactory security, by the deposit of United States bonds and otherwise, for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government: *Provided,* That the Secretary shall, on or before the first of January of each year, make a public statement of the securities required during that year for such deposits. And every association so designated as receiver or depositary of the public money shall take and receive at par all of the national currency bills, by whatever association issued, which have been paid into the Government for internal revenue, or for loans or stocks: *Provided,* That the Secretary of the Treasury shall distribute the deposits herein provided for, as far as practicable, equitably between the different States and sections."

Proviso.

Statement of
securities re-
quired.

To receive at
par all national
currency, bills,
etc.

Distribution of
deposits.

Vol. 22, p. 164,
amended. Vol.
31, p. 45.

SEC. 4. That section nine of the act of July twelfth, eighteen hundred and eighty-two, as amended by the act of March fourteenth, nineteen hundred, be further amended to read as follows:

Withdrawal of
circulating notes
and deposit of
lawful money, etc.
Vol. 18, p. 124.

"SEC. 9. That any national banking association now organized, or hereafter organized, desiring to withdraw its circulating notes, upon a deposit of lawful money with the Treasurer of the United States, as provided in section four of the act of June twentieth, eighteen hundred and seventy-four, or as provided in this act, is authorized to deposit lawful money and, with the consent of the Comptroller of the Currency and the approval of the Secretary of the Treasury, withdraw a proportionate amount of the bonds held as security for its circulating notes in the order of such deposits: *Provided,* That not more than nine millions of dollars of lawful money shall be deposited during any calendar month for this purpose: *And provided*

Restriction on
reissue removed.

Proviso.

Limit of
monthly deposit
increased.

urther, That the provisions of this section shall not apply to bonds called for redemption by the Secretary of the Treasury, nor to withdrawal of circulating notes in consequence thereof." Bonds called for redemption, etc.

Approved, March 4, 1907, 10 a. m.

CHAP. 173.—*An Act Providing for the restoration of the motto "In God we trust" on certain denominations of the gold and silver coins of the United States.* May 18, 1908.
(H. R. 17296.)
[Public, No. 120.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the motto "In God we trust," heretofore inscribed on certain denominations of the gold and silver coins of the United States of America, shall hereafter be inscribed upon all such gold and silver coins of said denominations as heretofore. Coins. Restoration of motto "In God we trust" on.

SEC. 2. That this act shall take effect thirty days after its approval by the President. Effect.

Approved, May 18, 1908.

CHAP. 200.—*An Act Making appropriations for sundry civil expenses of the Government for the fiscal year ending June thirtieth, nineteen hundred and nine, and for other purposes.* May 27, 1908.
(H. R. 21260.)
[Public, No. 141.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums be, and the same are hereby, appropriated, for the objects hereinafter expressed, for the fiscal year ending June thirtieth, nineteen hundred and nine, namely: Sundry civil expenses appropriations.

* * * * *

SEC. 16. That dies for medals bearing appropriate devices, emblems, and inscriptions commemorative of said Alaska-Yukon-Pacific Exposition and of the awards to be made to the exhibitors thereat shall be prepared by the Secretary of the Treasury at some mint of the United States for the board of trustees of Alaska-Yukon-Pacific Exposition, a corporation, subject to the provisions of the fifty-second section of the coinage act of eighteen hundred and seventy-three, and upon the payment by said Alaska-Yukon-Pacific Exposition of a sum not less than the cost thereof; said medals shall be coined by the coining press located in and being part of the Government exhibit, and without cost to the Alaska-Yukon-Pacific Exposition: *Provided*, That said Alaska-Yukon-Pacific Exposition shall furnish free of charge the electric power necessary to operate said coining press and all provisions of law against the counterfeiting or imitating of coins of the United States shall apply to the medals Dies for commemorative medal to be made at mint.

R. S., sec. 3551, p. 702.

Coining press at exposition.

Provisos. Power, etc.

prints, and engravings shall be subject to the ap-
the Secretary of the Treasury.

* * * *

Approved, May 27, 1908.

May 30, 1908. CHAP. 223.—*An Act To establish an assay office at Salt Lake*
(S. 642.) *of Utah.*

[Public, No. 163.]

Salt Lake City,
Utah. Assay
office established
at.
Vol. 17, p. 424.

R. S., sec. 3495,
p. 693, amended.

Officers.

Rent.

Appropriation.

*Be it enacted by the Senate and House of Repre-
of the United States of America in Congress assemb*
the Secretary of the Treasury is hereby author
required to establish an assay office of the Unit
at Salt Lake City, in the State of Utah; said as
to be conducted under the provisions of the ac
"An act revising and amending the laws relati
mints and assay offices and the coinage of th
States," approved February twelfth, eighteen
and seventy-three; that the officers of the as
shall be an assayer in charge, at a salary of two
five hundred dollars per annum, who shall also
the duties of melter; chief clerk, at a salary of o
sand five hundred dollars per annum; and the
of the Treasury is hereby authorized to rent a
building for the use of said assay office, and
hereby appropriated, out of any money in the
not otherwise appropriated, the sum of twenty
dollars for salary of assayer in charge, chief c
wages of workmen, rent, and contingent expend
Approved, May 30, 1908.

AN ACT To codify, revise, and amend the penal laws of the U

CRIMES.

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CHAPTER SEVEN.

OFFENSES AGAINST THE CURRENCY, COINAGE, ETC.

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| 163. Counterfeiting gold or silver coins or bars.
164. Counterfeiting minor coins.
165. Falsifying, mutilating, or lightening coinage.
166. Debasement of coinage by officers of the Mint.
167. Making or uttering coins in resemblance of money.
168. Making or issuing devices of minor coins.
169. Counterfeiting, etc., dies for coins of United States. | 170. Counterfeiting, etc., dies for foreign coins.
171. Making, importing, or having in possession tokens, prints, etc., similar to United States or foreign coins.
172. Counterfeit obligations, securities, coins, or material for counterfeiting, to be forfeited.
173. Issue of search warrants for suspected counterfeits, etc.; forfeiture. |
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* * * * *

SEC. 163. Whoever shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged, or counterfeited, or shall willingly aid or assist in falsely making, forging, or counterfeiting any coin or bars in resemblance or similitude of the gold or silver coins or bars which have been, or hereafter may be, coined or stamped at the mints and assay offices of the United States, or in resemblance or similitude of any foreign gold or silver coin which by law is, or hereafter may be, current in the United States, or are in actual use and circulation as money within the United States; or whoever shall pass, utter, publish, or sell, or attempt to pass, utter, publish, or sell, or bring into the United States or any place subject to the jurisdiction thereof, from any foreign place, knowing the same to be false, forged, or counterfeit, with intent to defraud any body politic or corporate, or any person or persons whomsoever, or shall have in his possession any such false, forged, or counterfeited coin or bars, knowing the same to be false, forged, or counterfeited, with intent to defraud any body politic or corporate, or any person or persons whomsoever, shall be fined not more than five thousand dollars and imprisoned not more than ten years.

Counterfeiting gold or silver coins or bars.
R. S., sec. 5457,
p. 1058.

SEC. 164. Whoever shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged, or counterfeited, or shall willingly aid or assist in falsely making, forging, or counterfeiting any coin in the resemblance or similitude of any of the minor coins which have been, or hereafter may be, coined at the mints of the United States; or whoever shall pass, utter, publish, or sell, or bring into the United States or any place subject to the jurisdiction thereof, from any foreign place, or have in his possession any such false, forged, or counterfeited coin, with intent to defraud any person whomsoever, shall be fined not more than one thousand dollars and imprisoned not more than three years.

Punishment for.

Counterfeiting minor coins.
R. S., sec. 5458,
p. 1058.

Punishment for.

Falsifying, mutilating, or lightening coins.
Vol. 29, p. 625.
R. S., sec. 5449,
p. 625.

SEC. 165. Whoever, fraudulently, by any art, way, or means, shall deface, mutilate, impair, diminish, falsify, scale, or lighten, or cause or procure to be fraudulently defaced, mutilated, impaired, diminished, falsified, scaled, or lightened, or willingly aid or assist in fraudulently defacing, mutilating, impairing, diminishing, falsifying, scaling, or lightening, the gold or silver coins which have been, or which may hereafter be, coined at the mints of the United States, or any foreign gold or silver coins which are by law made current or are in actual use or circulation as money within the United States or in any place subject to the jurisdiction thereof; or whoever shall pass, utter, publish, or sell, or attempt to pass, utter, publish, or sell, or bring into the United States or any place subject to the jurisdiction thereof, from any foreign place, knowing the same to be defaced, mutilated, impaired, diminished, falsified, scaled, or lightened, with intent to defraud any person whomsoever, or shall have in his possession any such defaced, mutilated, impaired, diminished, falsified, scaled, or lightened coin, knowing the same to be defaced, mutilated, impaired, diminished, falsified, scaled, or lightened, with intent to defraud any person whomsoever, shall be fined not more than two thousand dollars and imprisoned not more than five years.

Punishment
for.

Debasing coins
by officers of the
mint.
R. S., sec. 5460,
p. 1058.

SEC. 166. If any of the gold or silver coins struck or coined at any of the mints of the United States shall be debased, or made worse as to the proportion of fine gold or fine silver therein contained, or shall be of less weight or value than the same ought to be, pursuant to law, or if any of the scales or weights used at any of the mints or assay offices of the United States shall be defaced, altered, increased, or diminished through the fault or connivance of any officer or person employed at the said mints or assay offices, with fraudulent intent; or if any such officer or person shall embezzle any of the metals at any time committed to his charge for the purpose of being coined, or any of the coins struck or coined at the said mints, or any medals, coins, or other moneys of said mints or assay offices at any time committed to his charge, or of which he may have assumed the charge, every such officer or person who commits any of the said offenses shall be fined not more than ten thousand dollars and imprisoned not more than ten years.

Punishment.

Making or uttering coins resembling money.
R. S., sec. 5461,
p. 1059.

SEC. 167. Whoever, except as authorized by law, shall make or cause to be made, or shall utter or pass, or attempt to utter or pass, any coins of gold or silver or other metal, or alloys of metals, intended for the use and purpose of current money, whether in the resemblance of coins of the United States or of foreign countries, or of original design, shall be fined not more than three thousand dollars, or imprisoned not more than five years, or both.

Punishment
for.

Making or uttering devices of minor coins.
R. S., sec. 5462,
p. 1059.

SEC. 168. Whoever, not lawfully authorized, shall make, issue, or pass, or cause to be made, issued, or passed, any coin, card, token, or device in metal, or its

compounds, which may be intended to be used as money for any one-cent, two-cent, three-cent, or five-cent piece, now or hereafter authorized by law, or for coins of equal value, shall be fined not more than one thousand dollars and imprisoned not more than five years.

Punishment
for.

SEC. 169. Whoever, without lawful authority, shall make, or cause or procure to be made, or shall willingly aid or assist in making, any die, hub, or mold, or any part thereof, either of steel or plaster, or any other substance whatsoever, in likeness or similitude, as to the design or the inscription thereon, of any die, hub, or mold designated for the coining or making of any of the genuine gold, silver, nickel, bronze, copper, or other coins of the United States, that have been or hereafter may be coined at the mints of the United States; or whoever, without lawful authority, shall have in his possession any such die, hub, or mold, or any part thereof, or shall permit the same to be used for or in aid of the counterfeiting of any of the coins of the United States hereinbefore mentioned, shall be fined not more than five thousand dollars and imprisoned not more than ten years.

Counterfeiting,
etc., dies for
United States
coins. Vol. 26, p.
742.

Punishment.

SEC. 170. Whoever, within the United States or any place subject to the jurisdiction thereof, without lawful authority, shall make, or cause or procure to be made, or shall willingly aid or assist in making, any die, hub, or mold, or any part thereof, either of steel or of plaster or of any other substance whatsoever, in the likeness or similitude, as to the design of the inscription thereon, of any die, hub, or mold designated for the coining of the genuine coin of any foreign government; or whoever, without lawful authority, shall have in his possession any such die, hub, or mold, or any part thereof, or shall conceal, or knowingly suffer the same to be used for the counterfeiting of any foreign coin, shall be fined not more than two thousand dollars, or imprisoned not more than five years, or both.

Counterfeiting,
etc., dies for for-
eign coins. Vol.
26, p. 742.

Punishment.

SEC. 171. Whoever, within the United States or any place subject to the jurisdiction thereof, shall make, or cause or procure to be made, or shall bring therein, from any foreign country, or shall have in possession with intent to sell, give away, or in any other manner use the same, any business or professional card, notice, placard, token, device, print, or impression, or any other thing whatsoever, in the likeness or similitude as to design, color, or the inscription thereon, of any of the coins of the United States or of any foreign country that have been or hereafter may be issued as money, either under the authority of the United States or under the authority of any foreign government, shall be fined not more than one hundred dollars. But nothing in this section shall be construed to forbid or prevent the printing and publishing of illustrations of coins and medals, or the making of the necessary plates for the same, to be used in illustrating numismatic and historical books and journals and the circulars of legitimate publishers and dealers in the same.

Making, im-
porting, etc., to-
kens, prints, etc.,
similar to United
States for foreign
coins. Vol. 26, p.
742.

Punishment
for.
Illustrations
permitted.

Forfeiture of counterfeit obligations, securities, coins, and material. Vol. 26, p. 742.

SEC. 172. All counterfeits of any obligation or other security of the United States or of any foreign government, or counterfeits of any of the coins of the United States or of any foreign government, and all material or apparatus fitted or intended to be used, or that shall have been used, in the making of any such counterfeit obligation or other security or coins hereinbefore mentioned, that shall be found in the possession of any person without authority from the Secretary of the Treasury or other proper officer to have the same, shall be taken possession of by any authorized agent of the Treasury Department and forfeited to the United States, and disposed of in any manner the Secretary of the Treasury may direct. Whoever having the custody or control of any such counterfeits, material, or apparatus shall fail or refuse to surrender possession thereof upon request by any such authorized agent of the Treasury Department, shall be fined not more than one hundred dollars, or imprisoned not more than one year, or both.

Punishment for failure to deliver.

Issue of search warrants for suspected counterfeiters, etc. Vol. 26, p. 743.

SEC. 173. The several judges of courts established under the laws of the United States and United States commissioners may, upon proper oath or affirmation, within their respective jurisdictions, issue a search warrant authorizing any marshal of the United States, or any other person specially mentioned in such warrant, to enter any house, store, building, boat, or other place named in such warrant, in which there shall appear probable cause for believing that the manufacture of counterfeit money, or the concealment of counterfeit money, or the manufacture or concealment of counterfeit obligations or coins of the United States or of any foreign government, or the manufacture or concealment of dies, hubs, molds, plates, or other things fitted or intended to be used for the manufacture of counterfeit money, coins, or obligations of the United States or of any foreign government, or of any bank doing business under the authority of the United States or of any State or Territory thereof, or of any bank doing business under the authority of any foreign government, or of any political division of any foreign government, is being carried on or practiced, and there search for any such counterfeit money, coins, dies, hubs, molds, plates, and other things, and for any such obligations, and if any such be found, to seize and secure the same and to make return thereof to the proper authority; and all such counterfeit money, coins, dies, hubs, molds, plates, and other things, and all such counterfeit obligations so seized shall be forfeited to the United States.

Forfeiture of seized articles.

* * * * *

SEC. 345. This act shall take effect and be in force on and after the first day of January, nineteen hundred and ten.

Approved, March 4, 1909.

CHAP. 25.—*An Act Prescribing certain provisions and conditions under which bonds and certificates of indebtedness of the United States may be issued, and for other purposes.* Feb. 4, 1910.
(H. R. 19548.)
[Public, No. 33.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any bonds and certificates of indebtedness of the United States hereafter issued shall be payable, principal and interest, in United States gold coin of the present standard of value; and that such bonds may be issued in such denominations as may be prescribed by the Secretary of the Treasury. Bonds, etc., of
United States.

Principal and
interest payable
in gold.

SEC. 2. That any certificates of indebtedness hereafter issued shall be exempt from all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority; and that a sum not exceeding one-tenth of one per centum of the amount of any certificates of indebtedness issued is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to pay the expenses of preparing, advertising, and issuing the same. Exemption
from taxes.

Appropriation
for expenses of
issue, etc.

SEC. 3. That all acts or parts of acts inconsistent with the provisions of this act are hereby repealed. Inconsistent
laws repealed.

Approved, February 4, 1910.

CHAP. 240.—*An Act To establish in the Department of the Interior a Bureau of Mines.* May 16, 1910.
(H. R. 13915.)
[Public No. 179.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established in the Department of the Interior a bureau, to be called the Bureau of Mines, and a director of said bureau, who shall be thoroughly equipped for the duties of said office by technical education and experience and who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive a salary of six thousand dollars per annum; and there shall also be in the said bureau such experts and other employees as may from time to time be authorized by Congress. Bureau of
Mines. Estab-
lishment in In-
terior Department.
Director to be ap-
pointed.

Experts.

SEC. 2. That it shall be the province and duty of said bureau and its director, under the direction of the Secretary of the Interior, to make diligent investigation of the methods of mining, especially in relation to the safety of miners, and the appliances best adapted to prevent accidents, the possible improvement of conditions under which mining operations are carried on, the treatment of ores and other mineral substances, the use of explosives and electricity, the prevention of accidents, and other inquiries and technologic investigations pertinent to said industries, and from time to time make such public reports of the work, investigations, and information obtained as the Secretary of said department may direct, with the recommendations of such bureau. Duties.

Post, p. 883.

Secretary to
furnish offices,
clerks, etc.

SEC. 3. That the Secretary of the Interior shall provide the said bureau with furnished offices in the city of Washington, with such books, records, stationery, and appliances, and such assistants, clerks, stenographers, typewriters, and other employees as may be necessary for the proper discharge of the duties imposed by this act upon such bureau, fixing the compensation of such clerks and employees within appropriations made for that purpose.

Transfer of in-
vestigations from
Geological Sur-
vey. Post, p. 743

SEC. 4. That the Secretary of the Interior is hereby authorized to transfer to the Bureau of Mines from the United States Geological Survey the supervision of the investigations of structural materials and the analyzing and testing of coals, lignites, and other mineral fuel substances and the investigation as to the causes of mine explosions; and the appropriations made for such investigations may be expended under the supervision of the Director of the Bureau of Mines in manner as if the same were so directed in the appropriation acts; and such investigations shall hereafter be within the province of the Bureau of Mines, and shall cease and determine under the organization of the United States Geological Survey; and such experts, employees, property, and equipment as are now employed or used by the Geological Survey in connection with the subjects herewith transferred to the Bureau of Mines are directed to be transferred to said bureau.

Appropriations
transferred.

Employees, etc.,
transferred.

No authority
over mines, etc.,
in States.

SEC. 5. That nothing in this act shall be construed as in any way granting to any officer or employee of the Bureau of Mines any right or authority in connection with the inspection or supervision of mines or metallurgical plants in any State.

In effect July 1,
1910.

SEC. 6. This act shall take effect and be in force on and after the first day of July, nineteen hundred and ten.

Approved, May 16, 1910.

[Public, No. 439.]
(S. 10457.)

CHAP. 190.—*An Act To amend section six of the currency act of March fourteenth, nineteen hundred, as amended by the act approved March fourth, nineteen hundred and seven.*

Gold bullion,
etc., vol. 31, p.
47.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section six of an act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes, approved March fourteenth, nineteen hundred, as amended by the act approved March fourth, nineteen hundred and seven, be, and the same is hereby, further amended so as to read as follows:

Vol 34, p. 1289,
amended.

Gold certifi-
cates issued for
deposits of gold
coin.

"SEC. 6. That the Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin with the Treasurer, or any assistant treasurer of the United States, in sums of not less than twenty dollars,

to issue gold certificates therefor in denominations less than ten dollars, and the coin so deposited shall be retained in the Treasury and held for the payment of certificates on demand, and used for no other purpose.

Denominations.

Such certificates shall be receivable for customs, and all public dues, and when so received may be used, and when held by any national banking association may be counted as a part of its lawful reserve:

And provided, That whenever and so long as the gold coin and the fund held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below one hundred million dollars

Proviso.
Suspension of issue if reserve fund below \$100,000,000.

the authority to issue certificates as herein provided shall be suspended: *And provided further*, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed sixty million dollars the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for: *And provided further*, That the amount of such outstanding certificates one-fourth at

An increase of silver certificates, etc., in the Treasury.

shall be in denominations of fifty dollars or less: *And provided further*, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of ten thousand dollars, payable to order: *And provided further*, That the Secretary of the Treasury may, in his discretion, receive, with the assistant treasurer in New York and the assistant treasurer in San Francisco, deposits of foreign gold coin at their bullion value in amounts of not less than one thousand dollars in value and issue gold certificates therefor of the description herein authorized: *And provided further*, That the Secretary of the Treasury may, in his discretion, receive, with the assistant treasurer or any assistant treasurer of the United States, deposits of gold bullion bearing the stamp of the assay office of the United States, or the assay office in New York, certifying their weight, fineness, and value, in amounts of not less than one thousand dollars in value, and issue gold certificates therefor of the description herein authorized. But the amount of gold bullion and coin so held shall not at any time exceed one-fifth of the total amount of gold certificates at such time outstanding. And section fifty-one hundred and ninety-one of the Revised Statutes of the United States is hereby repealed."

Denomination of outstanding certificates.

Large notes.

Issue for bullion value of foreign gold coin.

Issue for stamped bullion.

Minimum.

R. S., sec. 5193, p. 1004, repealed.

Approved, March 2, 1911.

[Public. No. 480.] CHAP. 240.—*An Act Making appropriations to supply deficiencies in*
 (H. R. 32957.) *appropriations for the fiscal year nineteen hundred and eleven and for*
prior years, and for other purposes.

Deficiencies in
 appropriations.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,
 That the following sums be, and are hereby, appropriated, out of any money in the Treasury not otherwise appropriated, to supply deficiencies in appropriations for the fiscal year nineteen hundred and eleven and for prior years, and for other purposes, namely:

* * * * *

MINTS AND ASSAY OFFICES.

New York:
 Equipment of
 new assay office.

Assay office at New York: Authority is hereby granted the Secretary of the Treasury to use of the unexpended balance to the credit of the appropriation for parting and refining bullion the sum of twenty-five thousand dollars for the purposes herein stated: To provide lighting fixtures, new melting furnaces, additional scales, balances, and other necessary apparatus, appliances, and equipment, including house telephone and time and watchman's clock systems and office furniture; or so much thereof as may be necessary for the proper equipment of the new assay office, the same to be immediately available.

Parting and re-
 fining bullion.

All laws and parts of laws, to the extent that they make a permanent indefinite appropriation for the expenses of parting and refining bullion, are repealed to take effect from and after June thirtieth, nineteen hundred and twelve; and the Secretary of the Treasury shall, for the fiscal year nineteen hundred and thirteen, and annually thereafter, submit to Congress, in the regular Book of Estimates, detailed estimates for the expenses of this service.

Indefinite ap-
 propriation for
 repealed, vol. 19,
 pp. 157, 306.

Balance to be
 covered into the
 Treasury.

The unexpended balance, after meeting all obligations, of the permanent indefinite appropriation for parting and refining bullion remaining on the books of the Treasury two years after the close of the fiscal year nineteen hundred and twelve shall be covered into the Treasury as a miscellaneous receipt.

* * * * *

Approved, March 4, 1911.

[Public. No. 507.] CHAP. 267.—*An Act To amend section thirty-five hundred and thirty-six*
 (H. R. 24885.) *of the Revised Statutes of the United States, relating to the weighing of*
silver coins.

Coinage.
 R. S. sec. 3536,
 p. 699, amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section thirty-five hundred and thirty-six of the Revised Statutes of the United States be, and the same is hereby, amended so as to read as follows:

"SEC. 3536. In adjusting the weight of the silver coins the following deviations shall not be exceeded in any single piece: In the dollar, the half and quarter dollar, and in the dime, one and one-half grains."

Approved, March 4, 1911.

CHAP. 268.—*An Act To amend sections thirty-five hundred and forty-eight and thirty-five hundred and forty-nine of the Revised Statutes of the United States, relative to the standards for coinage.* [Public, No. 508.] (H. R. 2486.)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section thirty-five hundred and forty-eight of the Revised Statutes of the United States be, and the same is hereby, amended so as to read as follows:

"SEC. 3548. For the purpose of securing a due conformity in weight of the coins of the United States to the provisions of the laws relating to coinage, the standard troy pound of the Bureau of Standards of the United States shall be the standard troy pound of the mint of the United States, conformably to which the coinage hereof shall be regulated."

SEC. 2. That section thirty-five hundred and forty-nine of the Revised Statutes of the United States be, and the same is hereby, amended so as to read as follows:

"SEC. 3549. It shall be the duty of the Director of the Mint to procure for each mint and assay office, to be kept safely thereat, a series of standard weights corresponding to the standard troy pound of the Bureau of Standards of the United States, consisting of a one-pound weight and the requisite subdivisions and multiples hereof, from the hundredths part of a grain to twenty-five pounds. The troy weight ordinarily employed in the transactions of such mints and assay offices shall be regulated according to the above standards at least once in every year, under the inspection of the superintendent and assayer; and the accuracy of those used at the mint at Philadelphia shall be tested annually, in the presence of the assay commissioners, at the time of the annual examination and test of coins."

Approved, March 4, 1911.

An Act To amend section one hundred and seventy-one of the penal laws of the United States, approved March fourth, nineteen hundred and nine. [Public, No. 83.] (S. 4651.)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section one hundred and seventy-one of the penal laws of the United States, approved March fourth, nineteen hundred and nine, be amended so as to read as follows:

"SEC. 171. Whoever within the United States or any place subject to the jurisdiction thereof shall make, or

cause or procure to be made, or shall bring therein from any foreign country, or shall have in possession with intent to sell, give away, or in any other manner use the same, any business or professional card, notice, placard, token, device, print, or impression, or any other thing whatsoever, in the likeness or similitude as to design, color, or the inscription thereon of any of the coins of the United States or of any foreign country that have been or hereafter may be issued as money, either under the authority of the United States or under the authority of any foreign Government, shall be fined not more than one hundred dollars. But nothing in this section shall be construed to forbid or prevent the printing and publishing of illustrations of coins and medals or the making of the necessary plates for the same to be used in illustrating numismatic and historical books and journals and school arithmetics and the circulars of legitimate publishers and dealers in the same."

Approved, February 15, 1912.

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MONEY QUESTION

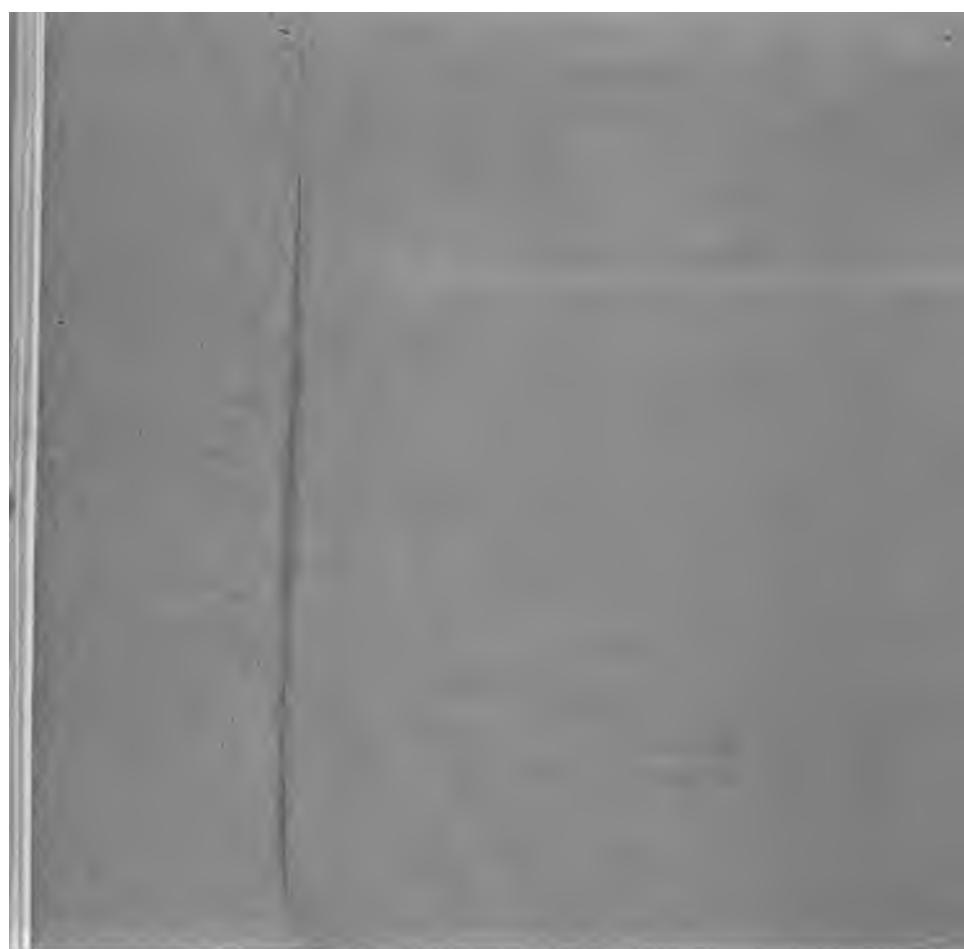
IN

1813 AND 1863.

WHAT SOME DID THEN, OTHERS ARE SEEK-
ING TO DO NOW.

5
BY A LOYAL CITIZEN.

NEW YORK:
ANSON D. F. RANDOLPH,
BOOKSELLER AND PUBLISHER,
NO. 611 BROADWAY.
1863.



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THE MONEY QUESTION

IN 1814 AND 1863.

tion, the child of unhallowed ambition and low instincts, is a cosmopolite. It is also nomadic—as migratory as wellers. It has been found in all countries and in all

Its character has ever been the same. It is a charlatan; it never lacks dupes and admirers. History is spiced with its pungent elements. Our own is full of it. It was in the Continental Congress and in the Continental Convention. It ran riot during the weak Confederacy, and was arrogant and defiant to the last degree, under the name of Democracy, while Washington was Chief Magistrate of the Republic. When Jefferson became President it left Virginia, its nominal seat, and for a dozen years made New England famous by its follies and vices. It took possession of South Carolina more than thirty years ago, and left there a nest of vipers that have hissed horribly for a few years. It is now planting its stations and endeavoring to gain a foothold in the loyal states, under the specious name of the "Peace Party," the title by which it was known in New England and pilloried by the patriotism of the nation during the war of 1812-'15.

Then, as now, the Peace Party was hypocritical and vulgar. Then, as now, its component parts were few and often feeble, and its strength was in its impudence and bluster.

Then, as now, it worshiped *party* and forsook *country*. Then, as now, it clamored loudly about the sanctity of the Constitution, while it constantly violated the dearest principles of its spirit, and sought to paralyze the arm earnestly endeavoring to preserve it and save the republic from destruction. Then (as it will now) it utterly failed, because of the selfishness of its motives. The New England "factionist" of 1814 was like the "factionist" of New York and states in 1863, with this essential difference—he was mean enough to abuse the cradle in which he was born, or kick the mother that bore him.

The Federal or opposition party during the war of 1812, was then known as the peace party, but it was only a factious few of that party who were willing to have peace on *any terms*. Leading men like Quincy, of Massachusetts, and Emmott, of New York, while they deprecated the war as unnecessary, frowned indignantly upon those who were ready to embarrass the Government when engaged in a struggle with a powerful foe. The "disloyalists" of fifty years ago held the same relation to the Federal party, as the "disloyalists" of our day do to the Democratic party. The great mass of the Federal party were patriotic, the great mass of the Democratic party are patriotic. The peace-at-any-price men—then, as now, were generally second-rate politicians, hopeless of any but Ephesian fame; possessed of more cunning than talent, utterly without moral convictions, selfish, loving *party* and their own lasts more than *country* and their fellow-men, and possessing wealth enough to purchase, directly or indirectly, the services of a few venal presses.

TACTICS OF THE PEACE MEN IN 1814.

Among others of their wicked schemes—a scheme about to be adopted by the "factious few" of to-day—for embarrassing the Government, was *an assault upon the public credit*. They sought, by that and other means, to place the destinies of their country in the hands of Great Britain. The same class of politicians now seek to place the destinies of their country in the hands of a few slaveholders by the same means. Let us consider a few facts of the past.

For several years previous to the war, and during its earlier stages, embargo acts and other measures restrictive of commerce had been adopted to compel Great Britain to be just. These acts were naturally distasteful to commercial New England, and the "peace men" of that day so inflamed a large interested class against the measures of the Government, and even the Government itself, that the navigation laws were openly defied, and magistrates would not take cognizance of their violations of them. Smuggling became so general in that region during the war, that one of the most eminent of the New England opponents of the administration was constrained to confess that a class of citizens, "encouraged," as he said, "by the just odium against the war, sneer at the restraints of conscience, laugh at perjury, mock at loyal restraints, and acquire an ill-gotten wealth at the expense of public morals and of the more sober, con-

tionous part of the community." He charged the administration and the war with the authorship of that "monstrous depravation of morals," that "execrable course of smuggling and fraud." Boston was the great center of this contraband trade, and less very little engaged in south of the Connecticut. The consequence was that foreign goods, shut out from other seaports, found their way there. Many valuable prizes were also sent into Boston, and added greatly to the stock of foreign merchandise there. The merchants of New York, Philadelphia, and the cities further south were largely dependent upon Boston for a supply of such goods, for which they paid partly in bills of the banks of the Northern and Southern States, and partly in their own promissory notes. By this means Boston became a financial autocracy, having in its hands despotic power to control the money supply of the whole country. This fact suggested to the New England faction a villainous scheme for crippling the Government and building up their party upon the ruins of a discredited republic. They were quick to act upon the suggestion and put their scheme into operation.

DEPRECIATING THE CURRENCY IN 1814.

From the beginning of the war the Government was compelled to ask for loans. The Peace Party at political meetings, through the press, and in the pulpit, cast every possible obstacle in the way. In the spring of 1814, the darkest year of the war, this opposition took the form of virtual treason. The Government was weak, and its internal enemies knew it; and in proportion to its exhibition of weakness they became bold and outspoken. "Will Federalists subscribe to the loan? Will they lend money to our national rulers?" a leading Boston paper significantly asked. It was impossible, first, because of the principle, and secondly, because of *principal and interest*. If they lend money now, they make themselves parties to the violation of the Constitution, the cruelly oppressive measures in relation to commerce, and to all the crimes which have occurred in the field and in the cabinet. . . . Any Federalist who lends money to the Government will be called *infamous*!" The people then adroitly warned that money loaned to the Government would not be safe. "How, where, and when," asked a disloyal newspaper, "are the Government to get money on any interest?" Then, in language almost the same as

that of a distinguished Democratic leader in this threat of future *repudiation* was thrown out, to create trust in the Government securities. "Who can tell the writer above alluded to, "whether *future rulers think the debt contracted under such circumstances, and who lend money to help out measures which they have long constantly condemned, ought to be paid.*"

Another newspaper said of the Boston merchants: "will lend the Government money to retrace their steps, none to persevere in their present course. Let every wayman find his own pistols." And a Doctor of Divinity shouted from the pulpit at Byfield: "If the rich continue to furnish money, war will continue till the tains are melted with blood—till every field in America is white with the bones of the people;" while another said: "Let no man who wishes to continue the war by any means, by vote or lending money, dare to prostrate himself at the altar on the Fast Day, for such are actually partakers in the war as the soldier who thrusts his bayonet and the judgment of God will await them."

These extracts give but a faint idea of the violence of the men in the New England capital at that time. By inflammatory and threatening publications and personal attacks they intimidated many capitalists. These were afraid to negotiate for the loan openly, a fact which the advertisements of brokers at that time have placed on record. Gil Dean advertised that the "names of all subscribers shall be known only to the undersigned." Another made it known that "the name of every applicant shall, at his request, be known only to the subscriber." Another assured the public that he had made arrangements "for perfect secrecy in all transactions of his business."

These advertisements excited the venom of the party exceedingly, and they poured abuse upon the subscribers and the Government together. "Money," said the most prominent among them, with great bitterness, "is such a drug (the surest signs of the former prosperity and present insecurity of trade) that men against the sciences, their honor, their duty, their professions and consciences, are willing to lend it secretly to support the measures which are both intended and calculated for their ruin." Another said: "How degraded must our Government be even in her own eyes, when they resort to such tricks to obtain money, which a common Jew broker would be ashamed of. They must be well acquainted with the fabric

are to loan them money, when they offer, that if I have the goodness to do it, their names shall not be to the world."

ISM OF THE PEOPLE, AND NEW SCHEMES OF THE
PEACE MEN.

All these efforts at intimidation failed to prevent the patriotic men in New England, of the opposition subscribed to the loan; and in the Middle States the its did so openly and liberally, to the disgust and tion of the traitorous few. This caused them to try and more infamous scheme, as follows:

We observed that, for reasons named, Boston became re of financial power. These men determined to power to embarrass the Government. The banks in le and Southern States were the principal subscrib- e loan, and the traitors determined to drain them of ie, and thus produce an utter inability to pay their ions. Some of the Boston banks became parties to ne. The notes of the banks in New York, Phila- and places further south, held by their banks, were ed to them with demands for specie, and at the e drafts were drawn on the New York banks for ees due the Boston corporations, to the amount, in e of a few months, of about eight millions of dollars. e York bankers were compelled to draw largely on Philadelphia, Philadelphia bankers on those of Bal- nd so on. A panic was created. No one could pre- result. Confidence was shaken. Wagons were seen ith specie leaving bank doors, with the precious oing from city to city, to find its way finally into the those of Massachusetts. The banks, thus drained, pelled to curtail their discounts. Commercial de- it and bankruptcies ensued. Subscribers to the e unable to comply with their promises, and so un- as the future to the minds of many who intended to , that they hesitated. When the Boston bankers ed upon by public opinion to explain their movement, le the specious plea of their right to the balances due n other banks. This was not satisfactory. Matthew ie of the ablest publicists of the day, says that the was made at a season of the year when freight on the i account of the bad state of the roads, was from o thirty per cent. more than it would have been had

they waited a few weeks. That they could have wait without detriment to any interest, is made manifest by the following statement of the condition of the banks in Massachusetts, in January, 1814, just before the movement was made :

	Specie.	Notes in Circulation.
Massachusetts Bank,.....	\$2,114,164	\$682,708
Union,	657,795	283,225
Boston,	1,182,572	369,903
State,	650,066	509,000
New England,.....	284,456	161,170
Mechanics,.....	47,891	44,595
	<u>\$4,945,444</u>	<u>\$2,000,601</u>

By this statement, it appears that they had in their vault about \$250 in specie for every \$100 of their notes in circulation ; "a state of things," says Carey, "probably unparalleled in the history of banking, from the days of the Lombards to the present time."

The effects of the conspiracy were potent and ruinous, for a while it was thought impossible for the Government to sustain its army and navy. The banks out of New England were compelled to suspend specie payments; and the injurious effects upon the paper currency of the country may be seen by the following price current, published on the 1st of February, 1815 :

	Below Par.
All the banks in New York State, Hudson and Orange excepted,.....	19 to 20 per cent
Hudson Bank,.....	20 "
Orange Bank,.....	24 "
Philadelphia City Banks,.....	24 "
Baltimore Banks,.....	30 "
Treasury Notes,	24 to 25 "
United States Six per cents.....	30 "

Stocks of banks, insurance companies, and other corporations suffered great depreciation, to the injury of thousands of innocent people, such as widows and orphans. Had the conspirators fully succeeded, the national armies must have been disbanded, and the Government reduced to a dependency of Great Britain.

INTRIGUES WITH THE PUBLIC ENEMY.

To make the blow against the public credit still more effectual, the conspirators made arrangements with agents of

Government authorities of Lower Canada, whereby a very large amount of British Government bills, drawn on Quebec, were transmitted to New York, Philadelphia, and Baltimore, and sold on such advantageous terms to capitalists, as induced them to purchase. These transactions were made so boldly that advertisements like the following appeared in the Boston papers:

1 bill for.....	£800	} British Government Bills for sale by CHARLES W. GREEN, No. 14 India Wharf.
1 do.	250	
1 do.	203	
	£1,253	

By this means an immense amount of gold was transmitted to Canada, placed beyond the reach of the Government of the United States, and put into the hands of the enemy to give sinews to the war they were waging against the independence of the Republic. So great was this drain and the demand for specie to pay for smuggled goods brought from Canada and Nova Scotia, that the specie in the Massachusetts banks was reduced in the course of six months nearly three millions and a half of dollars—the amount being \$5,468,604 on the 1st of July, 1814, and only \$1,999,368 on the 1st of January, 1815.

REJOICINGS OF THE PEACE MEN AT THE COUNTRY'S MISFORTUNES.

From the very beginning of the war, a factious few of the opposition made such persistent onslaught upon the Government, for the purpose of embarrassing the Administration, that a bonus was paid for all sums loaned. In January, 1813, a loan of \$16,000,000 was authorized. It was obtained principally from individuals at the rate of \$88, for a certificate of stock for \$100, by which lenders received a bonus on that small loan of \$2,100,377. In August, the same year, a further loan of \$7,500,000 was authorized. It was taken at 113 31-100, at six per cent. In March, 1814, a loan of \$5,000,000 was authorized. This was the loan which the Unionists of New England so vehemently warned the people against. Only \$11,400,000 of it were raised, for which certificates were given to the amount of \$14,262,351, giving a bonus to lenders of that small amount of \$2,852,000. These loans were so disastrous to the Government, that no more attempts were made to loan money during the war, the defi-

being made up by the issue of Treasury notes to the amount of \$14,571,800.

This injury to the Government credit was glossed over by the "Peace men." One of them, writing from Boston to a New York newspaper in February, 1863, said exultingly: "The six per cent Treasury bonds, six per cent stock was not so successful as would have been if which only was sold for want of buyers, and that at fifty per cent. under par. As for the former war loan it would be considered a bad thing if it had been offered in the market, it being a very serious question who is to fight the bill in case of another rebellion."

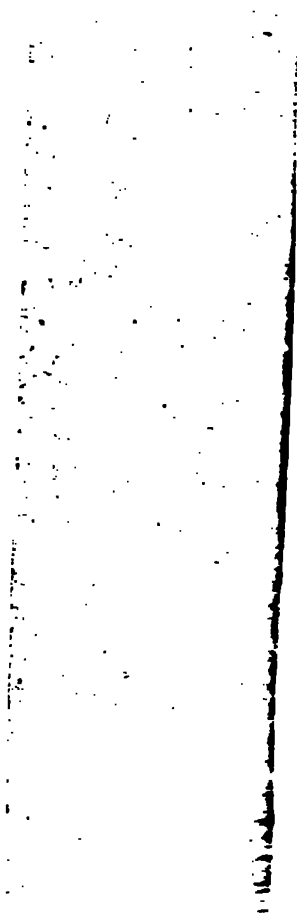
This last expression refers to the hopes of the conspirators of bringing about a dissolution of the Union by means of the Hartford Convention, which had adjourned to meet again, if necessary. It is proper to add that their hopes would have been frustrated for that Convention was too essentially patriotic in the feelings of a great majority of its members to have given the traitors any comfort. It may also be proper to call for the gratification of the reader and as a warning to the fanatics of to-day, that many of those of this suffered severely by the very distresses their villainies had produced, and that they were ever detested by all honorable men. They were consigned to everlasting social and political obscurity.

Similar enemies of the country are now, in various ways endeavoring to alarm the people concerning the national finances. Every art which wickedness can devise will be used to accomplish their vile purpose. They expatiate largely on the "national debt." They quote the saying of such of great wealth, who have not used any amount of United States currency, but are investing all their surplus funds in State stocks, or real estate. They suggest an impending financial crisis, such as the country has never experienced. They roll up their eyes and cast up their hands in pretended horror because of the "crushing national debt." They hint darkly of repudiation by a new administration, and thus hope to destroy confidence in the public stocks, and they point malignantly to the "Continental money" now in the cabinets of the curious, as foreshadowing the fate of the Government currency, which they declare will "never be redeemed." A few words on that point, and I will close.

CONTINENTAL CURRENCY.

When the continental paper currency was rapidly depreciating, and its redemption no longer a probability, the Continental Congress addressed the people on the subject, and in substance: "Suppose at the end of the war, the amount of unredeemed bills of credit shall be \$200,000,000, and the loans \$100,000,000. The National Debt would then be \$100,000,000. We are a people 3,000,000 in number, placing the burden on each, \$100. Fund the debt, and make it payable in twenty years, and it makes \$5 a year for each man. Assess men according to their estates, and how few will be called upon to pay anything! Then consider that the population will double in twenty years, making the payment proportionately easier."

It was hopefully argued the fathers, when there was no National Government to levy a dollar of taxes, and the resources of the country were undeveloped and unsuspected. How can his reasoning apply now? Suppose our national debt, at the close of this war, shall be \$3,000,000,000, or ten times as much as in 1783. We are now a people more than 30,000,000 in number, or ten times as many as the fathers named. The order of their argument will apply to our case exactly, and the extremely important fact added, that we have a National Government that bears the loyalty of the vast majority of the people, and with powers for taxation equal to any existing that may be contemplated, while the resources of the country, developed and known, are incalculable. Looking at us as they stand, no intelligent, *honest* man will say to his neighbor—"Don't trust the Government securities; the backs will never be redeemed." He *knows* better. He is assured that every man of that stamp is of the "copper persuasion," and loves party more than the *republic*.



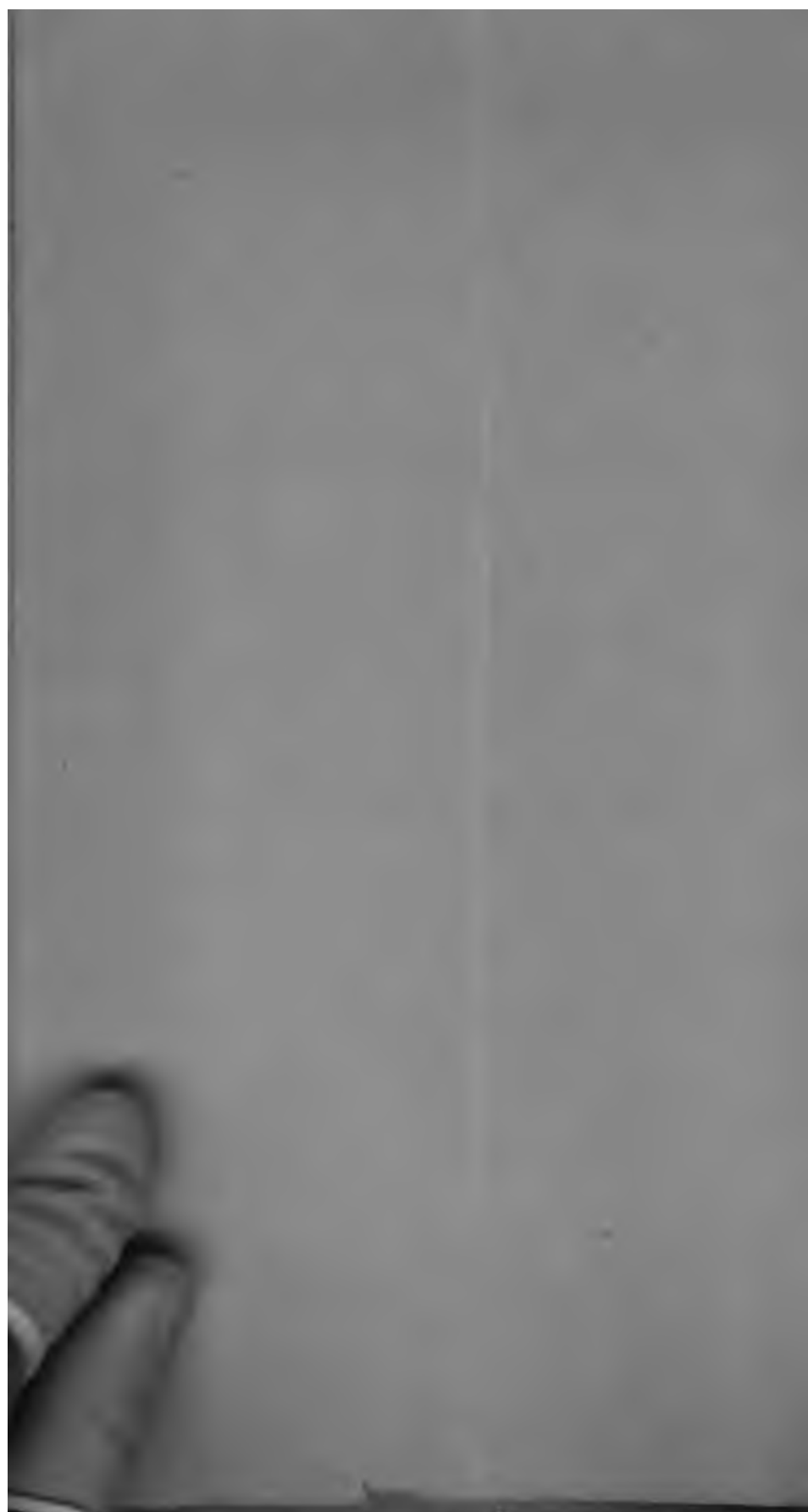
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OUR
NATIONAL FINANCES.

WHAT SHALL BE DONE?

BOSTON, NOVEMBER 15, 1862.



OUR
NATIONAL FINANCES.


WHAT SHALL BE DONE?

BOSTON, NOVEMBER 15, 1862.

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OUR NATIONAL FINANCES.

IT has been the error of financial gentlemen connected with the Government, as well as of others, to confound the effect upon money matters of a war carried on abroad with that of one carried on at home. In the former case, a large military chest goes with expeditions, requiring constant replenishment. In the latter, the money is all disbursed at home, and is kept in healthy and profitable circulation. So in the wars of England, carried on upon the continent and over the world, there was a suspension by that country of specie payments; while in our own land, in the war of 1812-15, owing to the poverty of the people and to some derangements preceding the war, though there was a suspension in most sections, the Boston banks were specie paying throughout. Now, in the autumn of last year there was more gold in the country than ever before, and the state of trade never was on a sounder footing. Money was abundant at 6 per cent. per annum, and it only required conservative and judicious measures on the part of the Government to have obtained all it needed without disturbance. The rebellion on its breaking out had produced a panic, which had failed all weak houses, and contracted business to such an extent that there was no employment for surplus capital. It therefore placed at the command of Government all the re-



sources of the people, and it only needed to give confidence in the administration to enable it to obtain all it wanted. That confidence was growing daily, when, unfortunately, the theories or preconceived notions of the Secretary of the Treasury interposed to destroy it all.

The banks of the chief Atlantic cities had up to December, 1861, taken all the loans which the Government had offered, and none had been put up for public competition. But unfortunately, Mr. Chase, though authorized by Congress to suspend the operations of the Sub-Treasury law, required the payment of those loans in coin. At this time, owing to the considerable imports of army supplies, and the quickening up of commerce, aided perhaps by some speculations in bills and the low rates of interest, sterling exchange had risen from 5 per cent. to 10 per cent. premium, and the banks saw the prospect of a flow of gold abroad. Had it been left to the laws of trade, they would have checked this by a rise in the rate of interest; but at this moment Mr. Chase was daily drawing from them their coin in exchange for the bonds they had purchased of him, and, becoming alarmed, without notice and without any contraction, they suspended specie payments. Under ordinary circumstances this would not have been done without a struggle, but just now the volume of commercial business was so small, that the cause of the movement was not from a crisis or contraction, and only from the fear that the coin, once in the hands of Government, would not find its way back to them, but would be hoarded, or go abroad.

After this suspension, business did not expand to any extent until after the passage of the act authorizing the issue of Treas-

ury Notes which should be a legal tender. Then the banks, feeling that in these they had a safeguard in any depreciation that might follow, began to extend their circulation and loans, until they have been increased to the amount of fully fifty per cent. on the average. What has been the consequence? A large rise in the value of stocks and merchandise, — an expansion and depreciation of the currency, — and an immense activity in all commercial operations. While the imports have been largely increased, the exports, even at the inflated value, have not kept pace, and a large outflow of gold has followed. And this is not only to pay for the balance of trade, but to remit for stocks and bonds sent home to avail of the advanced prices.

That the whole result has been to impair confidence in the Government, instead of strengthening it, is clear from the fact, that 6 per cent. stocks have risen but 15 per cent., and 7½% Treasury Notes but 4 or 5 per cent., while gold and sterling exchange have risen 33 and 37 per cent. Apparently, the Government stands well, but in fact, for all its supplies it is paying 33 to 50 per cent. higher prices than when the rebellion first broke out, and of course is increasing its debt by so much the more.

The expansion which has led to a greater activity in commerce and in imports, of course gives a so much larger revenue for customs, but it will be eventually paid for, in the so much greater impoverishment.

It may be said that the Government could not have got along without the issue of a currency of its own. There are those who think otherwise, because the Government but simply took

the place of other operators, and therefore could have used the same vehicles or channels of trade. The Southern produce business and the supply of Southern consumers were blotted out, and the several hundreds of millions of dollars that moved these, were at hand to be used by Government. This large commerce has always been done by drafts and checks and local currency, and why were not the same instruments available to Government? Do our large establishments negotiate drafts or notes, and take home the proceeds in coin? Do they not leave them on deposit and check for them? It may be, that in this absorption of means by the Government there would have been less for commerce. In that case there would have been a healthy check upon the expansion and subsequent depreciation, and all would have been by so much the sounder. That there were means enough, is proved by the fact that Government, for the first half of 1862, paid but a small part of its indebtedness, and that the contractors really sustained it. And furthermore, the banks at this day are the principal holders of Government securities, absorbing a large part of their capital.

The policy of the financial managers at Washington, has been to attempt to divorce the money affairs and interests of the Government from those of the people. It is paralleled in no other enlightened country, and it is time that the finances of the nation were managed upon the same simple, practical principles that are used in the every-day and world-wide business of its citizens. It was instituted by General Jackson, who was a soldier and planter from the interior of Tennessee, and whose experience in finance was not quite so practical or valuable as that in war and politics. It would seem as though

we might at last venture to test our Government financial matters by the maxims which are successful in other nations, or in our vast private commercial operations.

Nor should the Government have attempted to do for its paper money what the banks cannot do, and what no other strong nation has done—to make it a legal tender. But for this our banks would not have extended their circulation, encouraged deposits, or enlarged their loans, because it would have been unsafe. And here we are with gold at 33 per cent. premium, sterling bills at 146, and money at $3\frac{1}{2}$ to 4 per cent. per annum, while almost all stocks and merchandise are 33 to 50 per cent. higher than they were a year since, *except* Government securities!

And now what is the remedy? It would seem to be simply to retrace the path which has led to so many dangers. If the operations of the Sub-Treasury Act, and the making of paper money a legal tender, produce the effect of driving coin from the country and out of circulation, and an unhealthy expansion of banking and other business operations, then change these measures, but not rashly or hastily, so as to produce a violent contraction and panic, by which values would at once be forced down, and thousands brought to bankruptcy. It may be that the banks should be induced to take measures to reduce their circulation; but any very compulsory steps or too heavy tax would bear hardly upon those who have so largely assisted the Government by absorbing its securities. They have, to be sure, done it for a consideration, but still have helped largely, and should not too suddenly be restricted. The Constitution rather plainly indicates that the issue of paper money should be

regulated by the General Government, and not have been permitted by the States or their institutions. The last Secretary of the Treasury, Mr. Cobb, suggested that the Government should assert or resume its prerogative, but no action was taken by Congress upon the subject. There is no doubt that a paper currency issued by the Government, receivable for all dues, but not a legal tender, would be not only more acceptable, but far sounder than that founded upon the promises of local banks,

many of them of doubtful strength and character. The profit of this circulation, now largely reaped by State institutions, would then as well accrue to the Government. Strange that Mr. Chase should desire to establish a national currency, issued to banks based upon public stocks, to be purchased by them for the purpose, when the Government could directly issue its notes and circulate them, and hold the stock itself. It would only need to interdict the emission of paper money by State institutions after a certain period, and gradually fill its place with Government issues. Or better still, perhaps, to establish a national bank of deposit, exchange, and circulation, founded upon Government stocks, though except as forming a limit and a special security, the credit of the nation itself should be ample to secure confidence.

All the leading commercial countries of the world have their national bank, through which the finances of the nation are managed. They become at the same time the fiscal agents of their government and of the people, jointly. Why should we be wiser than they? Like those countries, our currency is *mixed*, partly metallic and partly paper, (just now, alas! *mainly* paper,) the latter, in a healthy state of things, convertible into

gold. But the *theory* of our Government is, one currency for it, and another for the people. It is not willing to trust its very controllers or creators ; even when it has the power to regulate their financial proceedings. Hence the statute says, the United States Treasury shall receive and pay out only gold and silver, and so with the power to suspend this proviso, the Secretary of the Treasury actually attempted to go through the war upon this principle ! Let us suppose all the disbursements to the army and throughout the land to have been made in gold, and what an expense and labor there would have been ! Yet on the other hand it was not needful to issue Treasury Notes or make them a legal tender ; for a quartermaster's or paymaster's check upon a depository or bank in New York, Philadelphia, or Boston, would have been as current and as acceptable to contractors and soldiers, as gold or paper money. The Government asks for gold — the people do not. All they require is to feel confidence. This they would do, if its financial measures were based upon the practical business principles, which experience has shown in this country, and all the world over, to be sound and correct, and as immutable as the law of gravitation.

There are certainly objections to the indiscriminate use of local currency by the Government, as tending to favoritism, while there is risk of its soundness. So also to the assumption by Government of the banking functions of the country, as yielding too much patronage and power, to say nothing of the incompetency and faithlessness of officers having no direct interest in successful management. But none of these arguments can be brought up against the establishment of a Bank of the United States, to be the depository and distributor of

of the public money—managed by our ablest and wealthiest capitalists, with its branches in every State,—affording a sound currency and medium of exchange, both to the Government and the people.

Such was “the Bank of the United States” from 1816 to 1836, until destroyed through the personal animosities of President Jackson and Nicholas Biddle. It afforded a currency convertible into gold and at par throughout the nation; it collected and disbursed the money of the Government without a dollar’s expense to it, and without loss, and during its existence

there was never a general suspension of specie payments. Since its winding up there have been four such, and we are now existing under one to which no one can see a period so long as the Government shall issue “legal tender” Treasury Notes. Should these be called in, and no more be authorized, and a Bank of the United States established, with a liberal and durable charter, the process of restoration would begin. The stock of such a bank, subscribed partly by Government and partly by capitalists, would doubtless soon be taken up, and so far as individuals are concerned, would probably be paid for in the gold which is now hoarded to the extent of millions of dollars, forming at once the foundation of a redeemable and convertible currency.

This is no theory or visionary plan, and it requires no experiment or elaborate scheme, because it has all been tested by experience and found efficient. It needs only to go back to the wisdom of our fathers for us to enjoy the prosperity and financial stability which they enjoyed. In this direction should all the financial plans now be directed, for the true interests of the nation and of the people individually.

We now stand upon a fabric of paper, which may at any moment sink under us; and after the fluctuations and experiments of the last twenty-five years, now the old bitternesses and animosities of Bank and anti-Bank parties have passed away, we ought to be able to unite in finding safety in following the old landmarks which guided the generations which have preceded us. But there can be no division of opinion as to the necessity of doing *something* to restore the waning confidence of our people, the want of which is draining the country of gold or hiding it away. Millions have been remitted abroad, to be kept unimpaired in value, which otherwise would have been invested in Government securities, while the Secretary of the Treasury is contented to provide for his wants from day to day, instead of availing of the abundance of money to fund the national debt. He seems to prefer an irredeemable currency, inspiring his fellow-citizens with the fear of repudiation and impairing our credit abroad, to encouraging the substantial capitalists of the world to invest in permanent or long loans, at a moderate rate of interest. The effect is shown by the movement of commerce at New York. There, from the 1st of January to the 29th of

October, the exports of gold and produce	
were,	\$ 173,595,721
The imports of merchandise were,	147,016,475
Balance sent abroad,	\$ 26,579,246

To this should be added a large amount for freight earnings and profits upon shipments.

If the Government cannot see its danger, it is hoped that our financiers and business men will, to say nothing of the

antagonism they may meet from the measures of those in power, and who seem to have less regard for the interests of the people, than for their own advancement. The average depreciation of the currency in England during the long suspension of specie payments there, did not exceed twenty-five per cent., yet in 1815 and 1816, two hundred and forty banking companies became bankrupt, and when complete resumption took place, the ruin was almost universal.

Nor must we feel that our internal tax is to bring all right. As yet, we have not felt this. So long as we have an inflated currency we may not feel it, but the time *must* come when the Government expenditures must cease from peace or exhaustion, and then there will be a collapse which will render taxes unproductive or very hard to bear. We cannot expect exemptions from the experience of all other nations. Our most trying time will be when the excitement of the war shall cease, and we return to the pursuits of peace. Then we shall begin to count the cost, scrutinize the bills, and look for customers to replace the Government, now giving employment to all, and the South whose trade we have lost.

Sad will be the days of that Secretary of the Treasury who shall have been satisfied with make-shifts and temporary expedients, instead of availing of the right times and modes to put out long loans, and establish on a sound basis the character and credit of his country.





12

Wiley

My

THE OLD CONTINENTAL.

AND THE

NEW GREENBACK DOLLAR.

ALTHOUGH you are an opponent of the Administration, I take you to be a true lover of your country, and, therefore, an uncompromising friend of the Federal Constitution and Union. You do not object to the war, so much as to the manner in which it has been conducted, and some of the objects for which it is waged. You hope for the best, and yet your fears frequently triumph over your hopes. The signs of the times seem to you alarming, and while you have confidence in the Federal armies, you lack faith in the Federal currency. Rebel armies are not so formidable in your eyes as stacks of Federal paper money. You hear much among your political friends with regard to the old Continental money, and the sorry pass to which it came, and are admonished to expect the same result for the paper currency with which the Administration has so far conducted, and hopes to prosecute the war to a successful issue. Now, my dear friend, I have lived much in the same political circles, and the gloomy forebodings and melancholy prophecies I have heard therein, have led me to inquire into the history of the paper money of the Revolution, and of the rebellion; and if you'll give me your attention a few moments, I'll state to you the principal facts of that history, leaving you to draw from them your own conclusions.

I.—THE OLD CONTINENTAL DOLLAR.

1st. *On the 10th of May, 1775—immediately after the battle of Lexington—the Continental Congress authorized its first*

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issue of paper money, for the purpose of carrying on the war. This act of Congress was carried into effect as soon as news of the battle of Bunker Hill reached Philadelphia; and on the 22d of June, two millions of *Spanish milled* dollars were put in circulation. The Confederated Colonies pledged themselves for the redemption of this issue, and their paper was designated as Spanish milled dollars, because it was to be redeemed with the silver currency of Spain, which was distinguished as milled because of the *raised* impression around the edges of the pieces to prevent the clipping of them.

Before the end of that year there was another issue of six millions. In May, 1776, there was an additional issue of five millions, and in the autumn of the same year another issue of the same amount. Toward the close of that year yet another issue was made of five millions. After this—as the struggle for independence continued—issue followed issue, till the successive amounts reached the enormous sum of four hundred millions. By collections, however, made from various sources of revenue, Congress managed to redeem about one-half of the whole amount, so that there was not more than two hundred millions of the paper in circulation at any one period of the war.

2d. *As you may suppose, various and powerful efforts were made to prevent the depreciation of this currency.* In 1776—when public confidence first began to decline, and some of the less loyal refused to take the bills—some of the most patriotic stepped forward, and on the spot, redeemed the rejected paper. Several of these worthy gentlemen gave silver for the paper bills—dollar for dollar—to the extent of a thousand pounds. These noble efforts of individuals, however, afforded only temporary relief. Congress then took the matter in hand. Resolutions were passed and published, repeating the obligation of the colonies to redeem the bills—denouncing severe penalties against all who should attempt to impair their credit by augmenting the value of gold and silver—and calling on the States respectively to punish by forfeitures and fines all who refused to sell their real or personal property for the paper money at

specie value. And as a measure, still more stringent, Congress authorized their proper officials to compel the reception of the paper by military force, and when the people still refused to exchange their produce for it, at par, Washington was instructed to seize by force supplies for his troops wherever he could find them, and did actually, in some cases, carry out his instructions. Such legislation as this would be esteemed very arbitrary in these days. Such seizures would be denounced as insufferably despotic. The Tories of the Revolution did so denounce them in unsparing terms. Let the *New York World*, and journals of its kidney, remember the verdict which posterity renders against their conduct. Not all the expedients, however, Congress could devise, backed by the noble efforts of individual patriotism, sufficed to arrest the rapid depreciation. A law was passed fixing the rate of exchange at forty paper dollars for one of gold or silver. But as millions followed millions in the continued issue, the value of the paper declined till it fell to a *thousand for one*, at which rate it ceased to circulate.

3d. *Let us now briefly consider the causes of this inevitable and ruinous depreciation.* First, the population of the whole country being only three millions, many regarded it as inadequate to bear a tax in amount sufficient to pay the interest on money which Congress had borrowed at home and abroad, and, at the same time, provide means for the redemption of the paper currency. Secondly, the sources from which governments usually derive their revenues can be said to have existed in only a very limited degree, indeed, to have scarcely existed at all. The territory, itself, of the infant Republic, was small, compared with the national domain of to-day. Its material resources had never been developed, in any proper sense of the term. I need scarcely remind you that railroads and steamboats were unknown inventions—that there was not even a turnpike road in all the land—and that for the consequent want of transportation to market, the produce of the country, in many of its sections, was of no value beyond a supply for home consumption. There were no manufactures. There was

but little commerce. The country was not poor in itself, but poor for want of the facilities of domestic transport and foreign exportation. *Thirdly*, a more potent cause than either of the foregoing, and more mischievous and ruinous than all others combined, existed in the *structure of the Government* under which our fathers fought the War of Independence. As you are aware, the colonies, at first, acted in their separate capacity—their legislative assemblies levying troops, contracting for supplies, and making themselves responsible for payment. This mode of action was soon found to be inharmonious and inefficient. Then the expedient of a *Confederation* of all the States was thought of and adopted. But the new plan worked no better than the old, because of the exceedingly limited powers with which the Confederate Government was invested. No tax could be levied by Congress but by the unanimous vote of the Legislatures of the States. In some cases it happened that measures were defeated in the Legislatures that would have done much to sustain the public credit, and would have been of great general utility. Thus, in one instance, when Congress had passed an act levying a duty of five per cent. on imported goods, and it had been ratified by all the rest of the States, the law was defeated by the refusal of the Legislature of the single State of Rhode Island, a rocky formation, outlying on the coast of New England, not much larger in circumference than a turnip patch in the prairies. Such examples are full of instruction, profitable for us in these days. If the powers of the States were what some would make them, who clamor for State sovereignty, we should soon be brought to the same sorry pass in which their confederacy landed our revolutionary forefathers. We need not be surprised that money soon came to nothing that was issued by an Assembly which had power to *recommend* but not to *legislate*. The real matter of wonder is that their paper was ever received as money at all. The States refused to levy taxes, and the Confederate Government was consequently left without means, either to pay the interest on its loans, or to redeem its currency. If any one, hereafter, asks you why the Continental money

became worthless, tell him because it was issued by a government that had no power. If the inquirer be a reasonable man, your answer will be deemed sufficient. Now let us for a moment inquire into the value and the prospects of

II.—THE NEW GREENBACK DOLLAR.

All the circumstances belonging to the history of the old continental, and the new greenback dollar, are totally different. See from the following how striking is the contrast!

1st. Instead of three millions—as at the close of the revolutionary war—there will be at the end of the rebellion a population of nearly THIRTY-SEVEN millions. Allowing the increase to be at the same rate as from 1850 to 1860 (and many reasons might be named why it must be larger) the population of our country, in 1870, will be forty-two millions and a quarter—1880, fifty-six millions and a half—1890, seventy-seven millions and a quarter—and in 1900, one hundred millions, three hundred and five thousand eight hundred and two.

2d. Instead of a country poor for want of development, see its developed riches, and judge from the past, and present, what must be the future increase of wealth. In 1860, there were thirty-five thousand miles of railway, and four thousand five hundred miles of canal. The total value of our manufactures reached the enormous sum of nineteen hundred millions of dollars. For the value of our agricultural products the reader is referred to the United States Census Report, from page 198 to page 211, and requested to count it up for himself. And if the sum should exceed his powers of calculation, he would do well to summon the schoolmaster to his assistance. The single item of live stock foots up the sum of one thousand ninety-eight millions, eight hundred and sixty-two thousand three hundred and fifty-five dollars. Our foreign commerce swelled to the sum of seven hundred and thirty-five millions, three hundred and fifty-five thousand five hundred and twenty-eight dollars. The value of the real and personal property of the United States, was sixteen thousand one hundred and fifty-

nine millions, six hundred and sixteen thousand and sixty-eight dollars. And the increase of this, mark you, is *one hundred and twenty-six and a half per cent.* every ten years!—that is to say, in each period of ten years, the value of our national property doubles itself once and a quarter.

3d. *And now instead of a government of no power, we have that powerful government whose prerogatives are stated and defined in our National Constitution.* The power to levy taxes and raise armies—powers without which no government could be maintained and defended—is in the 8th section of the Constitution thus expressly committed to the hands of Congress. “*The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts, and provide for the common defence and general welfare of the United States; and to raise and support armies.*” By “*imposts,*” you are to understand, duties laid upon articles imported from other countries. It is expressly provided in the Constitution, (section 10) that no State shall levy duties upon such articles, without the consent of Congress, and no domestic article that has been taxed by Congress, can afterwards be taxed by the Legislature of a State. You will perceive, at once, that these great powers of taxation, and of raising and supporting armies, place the Federal Government on a very different ground from that which was occupied by the Government under the articles of the Old Confederation. Under that system the *States alone* possessed the prerogative to levy taxes for the common defence and welfare, and as each State retained its “*sovereignty, freedom, and independence,*” any one of the voluntary associations might withdraw from the Confederacy at pleasure, and immediately thereafter repudiate its pecuniary obligations, or it might stay in and refuse to levy a tax at all. There was no such thing as controlling the will of a sovereign State. Accordingly, very soon after the pressure of the Revolutionary war ceased to be felt, the States began to wrangle with the General Government, and to ignore its authority. Now, on the contrary, when the States became parties to the present Constitution, they renounced all control over the powers which

that document places in the hands of Congress, and they were merged into one nation, under one government, that was to be supreme in the exercise of the powers assigned to it by the Constitution. Within the limit of these powers, therefore, an Act of Congress, is the act of every State in the Union, in other words, the act of the nation. Two things then, are certain under our present Constitution—first, that Congress has power to levy taxes for the payment of the debts it contracts for the benefit of the nation, and secondly, that no State can evade its share of a tax or obligation of any kind imposed by a law of Congress by withdrawal from the Union, or the enactment of a contrary law. Now keep before you this fact of the unquestionable power of Congress to tax, with the fact of our country's *boundless stores of wealth*, and you will readily comprehend how it is impossible that the greenback dollar should ever become good for nothing. "But what," say you, "has the levying of taxes, and the raising of armies, to do with the value of the greenbacks?" Why just everything. The army will preserve the Union, and the Union preserved, will enable the Federal Government to pay the interest on its bonds, and to redeem its currency with gold and silver. It is not difficult at all to anticipate the glorious results that are near at hand. The moment the rebellion is crushed, public confidence in the Government will so revive, that the greenback dollar will, in a few months be equal in value to a gold or silver dollar, and will, in fact, be preferred, because it is easier to carry. And should there be more greenbacks in circulation than would be necessary to meet the wants of the country, Congress can "fund" them, as the financiers say, that is, can issue bonds in exchange for them, and pay to the holders of the bonds, six per cent. in gold. In this way the greenbacks could be called in at once, and specie payments be resumed. This is the method that will most likely be adopted, so that we may confidently look for the resumption of specie payments shortly after the suppression of the rebellion. A moment's reflection will convince you that it would be impossible to put our country back (as long as the Union shall be preserved,) into that con-

dition which rendered the old continental money worthless. But supposing, merely for argument's sake, that by some *miraculous judgment of Almighty God*, (and nothing short of this could do it), our country should become unable to meet its obligations, and be obliged to repudiate both its bonds and its greenbacks, what then? Why, the disaster would not be as great as many imagine. The rich who have invested much in the bonds, and hold large sums of the paper currency, could afford to lose their much; and the poor who have invested a little in the bonds, and hold a little of the circulating paper, could afford to lose their little. For our territory, with its inconceivable riches, would be left. Our free institutions, making every man politically equal, and giving to every man an equal chance, in business, would be left. Our unrivaled powers of invention, of industry, and of accumulation, would be left. And with such a territory, such institutions, and such powers of success, we could afford to have the whole score wiped out that we have *chalked up* against the Government, and then, in a few years, could be the richest and mightiest nation on the face of the globe. This is a mere supposition, as I've said, in order to put the case of the currency in its very worst light. But the people need never fear *repudiation*, because the power to prevent it is in their own hands. The national debt, that exists in bonds, given for borrowed money, is owed to the people. The paper currency is in their hands, and they will never pass a wholesale act of swindling against themselves. Have faith in God! Have faith in the Union! Have faith in yourself and your countrymen! And while God exists, and the Union endures, and your countrymen are true to themselves, the greenback shall pay your debts, and purchase you all the comforts and luxuries you will ever need or desire.

1914
~~1863~~
A REVIEW

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OF THE ARTICLE ON

CONTINENTAL MONEY,

IN

Harper's Magazine for March 1863.

PRIVATELY PRINTED.

1863.

WHY?

PREFACE.

This Article, intended originally for publication in the HISTORICAL MAGAZINE, has grown so much in the hands of the writer, that it is deemed advisable to present it in a separate form.

REVIEW.

When, some months since, it became known that a sketch of the paper money, issued by the Continental Congress during the Revolution, was being prepared, the writer of this article, in common with many other persons of antiquarian tastes, rejoiced at the prospect of any addition, however slight, to their stock of knowledge on this obscure subject. Although doubts were felt as to the ability of the person who had taken the matter in charge, to prepare a proper and correct research, still it was hoped that some new light might be afforded to them; and if any errors should exist, they would be neither numerous nor flagrant. The Sketch *has* appeared, and our attention is loudly called to it by the publishers as something of a most wonderful and accurate nature. Let us examine into these claims as shortly as we can, for the subject grows under the pen. We must confess to a disappointment even greater if possible, than we had anticipated. The article has no coherence, and appears to have been hastily put together from its author's previous works, except as we shall show hereafter. Instead of a polished, original, concrete fabric, we find a wretched conglomerate of miscellaneous ignorance, replete with errors, and in some instances what might deserve a harsher name.

It starts with milk for babes in the shape of a definition of money. As we have hitherto lived in a country where bank notes have been *utterly unknown*, and nothing circulated but *courees and bullion*, this information comes very acceptable, and our gratitude should be proportionately large for this kindness. But what a noble exordium for a Nation's History!

The article purports to be a history of Continental money, that is, the money issued by Congress during the Revolution; and the author has treated us to some four pages of preliminary matter relative to the paper money of the Colonies. There seems to be a confusion in the writer's head on this subject, for he presents us on page 135 with a New York note of 1771, only *four years previous* to the existence of his subject, and seems to find some connection therein with the Continental money. Too much extraneous matter has been introduced. Were the history of the C

money complete, we *might* spare our censure; were it accurate we *might* pardon the introduction of so much foreign to the subject. Continental money if rightly treated, presents the material for a much more valuable and interesting sketch, without recourse to outside aid than has been furnished us. No adequate excuse can be offered for the intrusion, for, if some is to be brought in, why not all? The presentation of the New York note of 1771, is as uncalled for as it possibly can be, and is a type of what the author has thought worthy of preservation. It surely is; but not in that form or place. Its date should have protected it from such assaults. But, when a Magazine Article is to be written, and paid for by the quantity, some things must suffer, and the quality is likely to be poor. Accuracy and good judgment are of minor importance; all must be subservient to the pocket.

The whole of the sketch which is not original is old, and all the original part is bad. It bears, *whenever accurate*, a very strong family likeness to a pamphlet written and published about twenty years since, by the late Samuel Breck, on the same subject; which pamphlet though rare, is by no means unique. In many instances we find word for word, the two articles to agree, and it is astonishing what an anticipatory plagiarist Mr. Breck has been; only if he knew who was coming *after* him, he would probably have given him all due credit. On the last page of the article, we find a quotation from a letter (?) of Mr. B. to the author, which will be found *verbatim et literatim*, in the pamphlet spoken of. Mr. Breck's pamphlet, though not entirely correct nor complete, is far preferable to this later fiasco. We trust next time, Mr. Breck will meet with a more honest and more able exponent, the "*loss-in*" whose hands will not be so great.

The article is a tissue of blunders and even worse: for a decided *fabrication* is to be found therein.

We charge upon this *historian* (?):

1st. Errors.

2nd. Omissions.

3rd. Additions of improper matter.

4th. Additions for which there is no warrant.

We have already spoken of the quantity of extraneous matter thus foisted upon us, and will proceed to the errors.

On the first page, Massachusetts is said to have been the first of the Colonies during the Revolution, which issued paper money, and in support of the assertion, a sword-in-hand note, dated Aug. 18, 1775, is produced. We could refute this by reference to the author's own words near the bottom of the page, where he speaks of a South Carolina note dated June 1st, 1775; but would like to call his at-

tention to the fact, the following Colonies issued paper for the Revolution before the date he has fixed on for the earliest, viz :—South Carolina, June 1st; New Hampshire, June 9th; Georgia, July; Virginia July 17th; Pennsylvania July 20th, and Maryland July 26th.

Some people should have good memories. On page 434, a Maryland note dated December 7th, 1775, is spoken of: no such note is in existence, and it is probably a blunder for some other date. It is a great pity we have not been furnished with *more* equally valuable and interesting matter relative to the other Colonies, which the author has neglected. It would have been very amusing, which is probably his aim, and all equally inappropriate.

On page 435, he speaks of bills issued by New York during the Revolution, "*Which resemble those issued by the Continental Congress,*" and like them were backed. No such notes are in existence, or ever have been; and the Continental notes were *not* backed, as every collector knows. A little more fact, or a more strict adherence to it, would not hurt this writer in the least. When a free scope is given to the imagination, and errors created, history is apt to suffer.

Further on, on the same page, he says that on the first day of the Session of Congress, preparations were made to issue paper money. This *fact* does not appear on the Journal of Congress, as published, nor is anything there said in reference to the matter, until June 22nd, 1775, the day on which he states that the news of the Battle of Bunker Hill reached Philadelphia. This latter assertion of Mr. Breck's pamphlet, we have never been able to verify: nothing appears on Journal of Congress in reference thereto; nor does the event appear to be connected in any way with the issue of paper money. The writer has copied even Mr. Breck's language in this assertion, but an inaccuracy, which to a man like the late Mr. Breck could be pardoned, to an illiterate scribbler is a heinous offence.

We would also like his authority for *Smithers*. The general impression borne out by the Journal of Congress, is that Paul Revere was the engraver of the notes; *he* appears, and also in Force's Archives, but *Smithers* we cannot find anywhere. Where did he come from?

On page 437, the statement is made that the backs of the Continental notes were printed separately and pasted on. This most ridiculous assertion, and known to be such by all who have handled the bills, we have already shown to be an egregious error.

The author follows Mr. Breck in saying that twenty-eight citizens of Philadelphia were appointed to sign the notes, and also follow

him in omitting the reason therefor, viz:—That it was at first intended that the members of Congress should sign them, but that afterwards, fearing it would take too much of time, valuable for public uses, it was decided that these people should sign instead. He likewise neglects to mention that fresh signers were on every issue constantly being appointed, and he would like us to believe that the original twenty-eight continued to act to the end as the Committee.

On page 438, a figure of a \$4 bill is presented to us, “on which is an outline square in red ink.” This *well-informed* writer is ignorant probably that the whole issue of January 14, 1779, is printed in that manner, as further on he apologizes for some of the notes having this red stamp, when they were the very ones which are exclusively of that, and no other emission.

On page 439, a \$30 note is figured, on which he says, in consequence of the dimness of the impression, something has been omitted. This is inexcusable, as there exist plenty of this denomination in perfect order, from which the design could have been obtained, and by this means no error perpetuated.

On page 430, an explanation is presented of the mottoes as given by Force, but the author omits Mr. Breck’s remark, that they were invented by Benjamin Franklin and Charles Thomson.

On page 440, he tells us of the additional issue of \$1,000,000, but omits to state that it was in consequence of the want of large notes, and that this issue was to be in notes of \$30 each. He continues by saying that on November 29th, \$3,000,000 additional were issued in bills of *larger* denominations! This is a fair sample of the slovenly way in which he has gone to work: the notes are actually all *smaller*, ranging from \$1 to \$8 as the highest. He says that in course of time larger notes were issued, in which he enumerates, as for the first time, the \$30 notes of which we have before spoken. And it was *very* considerably later, viz:—for the \$40, \$50, and \$60 notes, 1778, and for the \$35, \$45, \$55, \$65, \$70 and \$80, Jan. 1779, when the larger notes were issued.

On page 441, appears the greatest fault of all in this collection of blunders. We scarcely know what to say: it is so flagrant; and it is the one which capped the climax in the mind of the writer of this article, and caused the resolution that this sloven should go no longer unwhipped of justice.

A note has been figured with a hand planting a tree, with the motto “Posteritate,” and this he informs us is a HALF DOLLAR UNITED STATES note. We own to some curiosity to see the original of this note, if it exists outside of the author’s brain. It is the

most apocryphal thing ever presented. No such United States half dollar note ever existed, does exist, or will exist. The only issue of half dollar notes of the Continental Congress bears on the face the sun dial, etc., and on the reverse, the thirteen links, etc. He deserves great credit for the *invention* of the "Posteritate" U. S. note, but it is somewhat out of place in an article professing to be true and accurate. How much harm these careless scribblers do to National History! They muddy the stream even when they do not pervert and distort the facts. But if we are to reduce the article down only to what is *appropriate* and what is *true*, a very small space would suffice for it, and the "Loss-in" its author's pocket would be great, as the unnecessary stuff is to be paid for by a *discriminating publisher*.

On page 443, the author indulges in a series of self-gratulatory remarks to the effect that "*every escutcheon of the Continental notes has now been faithfully shown.*" If instead of *now*, we read *not*, the truth will be much more plain, for a wretcheder literary re-hash has never appeared anywhere; and we congratulate his readers that he did not, *as appropriate*, give us a history of the moon, but confined himself within some limits.

On page 446, he tells us of the failure of the lottery projected by the United States, but omits to give the reason; which was because the tickets were to be paid for in coin. This, because important, is of course left out by the writer. It is unreasonable to expect from him anything which would cause him trouble.

He says the notes issued by the Colonies previous to April 19, 1775, were needed by the Commissary of prisoners. This may or may not be true: but the real reason for this withdrawal from circulation was that people discriminated in their favor against the Congress notes, believing that those issued under the Crown would be redeemed, whether the Congress ones were or were not: thus causing the latter to be depreciated in value, correspondingly with the demand for the others.

A scale of depreciation is presented, but the author seems ignorant that every State prepared a different scale, and that the loss in value took place unequally. The bill which he has furnished us as such a striking example has done duty too often to possess any interest. Surely among the immense mass of Revolutionary matter which has survived our time, something *not* hackneyed could with a very little trouble have been found for our delectation, and only laziness or contempt for the readers could have induced the presentation of this piece of trash.



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